OVERVIEW

Who We Are

We are the largest premium hotpot brand in China anchored in a product-centric philosophy (產品主義) and supported by a differentiated market positioning. According to Frost & Sullivan, we were the largest brand in China's premium hotpot market in terms of revenue in 2025 with a market share of approximately 3.6%, and the second largest brand in China's hotpot market in terms of revenue in 2025 with a market share of approximately 0.4%. We offer signature items such as beef tripe (毛肚) and wild mushroom broth (菌湯). As of the Latest Practicable Date, our self-operated restaurant Banu network comprised 200 restaurants across 57 cities in China, representing a 132.6% increase from the beginning of 2023, underscoring our ability to scale in the premium consumption segment. As of the same date, we operated five integrated central kitchens also serving as both production and logistics hubs, and one specialized ingredient processing facility, supporting our operations across 14 provinces and municipalities in China.

Market Opportunities

China's hotpot market is large and fragmented, with the top five players holding only 7.9% of total market share in 2025. Meanwhile, China's hotpot market can be further divided into premium, mid- to high-end, and mass segments based on per capita spending, with premium players focusing on high-quality ingredients and differentiated experiences. China's premium hotpot market remains relatively fragmented, with the top five players accounting for only around 9.1% of total market share in 2025. As an established brand in this segment, we mainly compete with nationally operated chains as well as regionally concentrated premium brands. According to Frost & Sullivan, we were the largest brand in China's premium hotpot market in terms of revenue in 2025 with a market share of approximately 3.6%, and the second largest brand in China's hotpot market in terms of revenue in 2025 with a market share of approximately 0.4%.

With the rising pursuit of quality, premium hotpot brands, such as Banu, is well-positioned to better serve evolving customer preferences in this market for health, quality and service with high standards in ingredient sourcing, health and safety protocols, and customer experience. As the hotpot sector continues to move toward greater branding and premiumization, we believe our distinct product positioning, stable supply chain, and ongoing innovation have enabled us to build strong customer recognition.

According to Frost & Sullivan, China's hotpot industry is expected to maintain steady growth from 2025 to 2030 with a CAGR of approximately 5.8%. Inside this market, the premium hotpot segment is projected to grow even faster at a CAGR of 6.7%. We believe that, with our established brand strengths and organizational capabilities, we are well-positioned to continue benefiting from these trends and to further solidify our leadership in the premium hotpot segment.

Restaurant Network Expansion

Our total number of self-operated Banu restaurants has grown from 86 as of January 1, 2023 to 200 as of the Latest Practicable Date, representing a growth rate of 132.6%. At the end of each year during the Track Record Period, the total number of our self-operated Banu restaurants increased from 111 to 144 and further to 180. The continuous growth in the number of restaurants reflects our sustained expansion capability in the premium hotpot sector in China.

As a key example, as of the Latest Practicable Date, we operated 54 restaurants in Henan and 146 restaurants across other provinces in China, demonstrating our ability to replicate the success of our "Henan Model" in markets beyond our core region. For details of our "Henan Model" and how we replicate it nationwide, see "Business — Our Hotpot Business — Our Restaurant Network — Expansion Strategy." Our premium hotpot positioning and pricing strategy have not only gained recognition in first-tier markets but also in second-tier and lower-tier cities, demonstrating broad market adaptability and replicability. As of the Latest Practicable Date, we operated 160 restaurants, or 80.0% of total restaurants, in second-tier and lower-tier cities, in addition to the 40 restaurants in first-tier cities as of the Latest Practicable Date.

Our new restaurant expansion continues to center around our third-generation supply chain system, in line with our strategy of building infrastructure ahead of expansion. We have consistently invested in the development of central kitchen capabilities to ensure stable regional supply of ingredients featuring our daily delivery capabilities and consistent product quality. As of the Latest Practicable Date, we had established five central kitchens, providing strong back-end support for our ongoing expansion across the relevant regional markets.

Our Growth and Financial Performance

During the Track Record Period, we have maintained steady revenue growth, improved profitability and consistently achieved net inflows of operating cash, demonstrating impressive financial performance. See "Financial Information" for a detailed analysis of our financial performance during the Track Record Period.

During the Track Record Period, we significantly enhanced our overall operational efficiency through standardized and refined operations. In 2023, 2024 and 2025, our restaurant operating profit margins were 21.3%, 21.5% and 24.9%, respectively. Our overall table turnover rate increased from 3.1 in 2023 to 3.6 in 2025. At the same time, we demonstrated a stronger operating efficiency in second-tier and below cities. In 2025, our restaurant operating profit margin in first-tier cities is 22.5%, and the restaurant operating profit margin in second-tier and below cities was 25.6%, both of which are higher than the industry average in China, according to Frost & Sullivan.

We have continuously consolidated our established position in the premium hotpot sector, maintaining a good momentum in revenue growth, profitability, cash flow performance, and operational efficiency, reflecting our strong operational resilience and sustainable growth potential.

OUR COMPETITIVE STRENGTHS

Established Player in China's Premium Hotpot Market with Growth Potential, Differentiated Positioning, and Product Capabilities

We are the leader in China's premium hotpot market, ranking first in terms of revenue with a 3.6% market share in 2025 according to Frost & Sullivan, with a pursuit of product-centric philosophy and a differentiated strategic positioning. As of the Latest Practicable Date, our self-operated restaurant network had expanded to 200 Banu restaurants across 57 cities in China, representing a 132.6% increase from the beginning of 2023. This growth highlights our capability for continued expansion in China's premium consumption segment. As of the same date, we had five integrated central kitchens that also serve as storage and logistics hubs, and one specialized ingredient processing facility, covering 14 provinces and municipalities in China.

We improve the customer experience in China's hotpot segment with our signature items such as beef tripe and wild mushroom broth, supported by our professional yet appropriately restrained restaurant service. We target the mainstream customer base that values product quality and dining experience and leverage the influence of these customers to drive positive word-of-mouth.

Alongside our rapid expansion, we have achieved improvements in single-restaurant performance. In 2023, 2024 and 2025, our restaurant operating profit margin reached 21.3%, 21.5%, and 24.9%, respectively. Our overall table turnover rate increased from 3.1 in 2023 to 3.6 in 2025. Both increase demonstrate a healthy balance between growth and operational efficiency.

Our Adherence to a Product-Centric Philosophy, Focus on the Fundamentals of Dining, and Leadership in Setting Industry Standards

We firmly believe that products are the cornerstone of the catering industry. Through continuous product R&D and innovation centered around customer needs, we have created a series of signature products that have inspired the industry to follow suit.

According to Frost & Sullivan, we were among the first in the industry to adopt papain-based tenderization technology as a replacement for the traditional caustic soda method, enabling us to offer customers healthier and more tender beef tripe. Building on this innovation, we continued to improve our production techniques and became one of the first companies in the hotpot industry to independently develop a mechanized beef tripe processing production line, according to Frost & Sullivan, which contributed to the industry's transition toward greener and healthier consumption. Meanwhile, we remain committed to delivering natural taste to our customers. We, through our Southwest central kitchen, bring fresh vegetables from Yunnan to our restaurants nationwide, enabling direct sourcing from origin.

Our product R&D team leverages in-depth knowledge of ingredients and insights into customer needs to develop a diverse product portfolio that includes our signature and classic products — beef tripe and wild mushroom broth, which have been served to customers at Banu restaurants for over 20 years and remained key brand identifiers, as well as several innovative and flagship products. See "— Our Hotpot Business — Our Menu Philosophy: A Product-Centric Journey Starting from Beef Tripe." By standardizing sourcing and processing methods, we have not only elevated the quality of our own supply chain but also contributed to setting benchmarks for ingredient sourcing and product innovation across the hotpot industry in China. Guided by our philosophy of "chilled not frozen, natural not artificial, and same-day not overnight (能冷鮮不冷凍，能天然不添加，能當天不隔夜)," we process all ingredients at our central kitchens and operate a comprehensive cold chain logistics system, which enables next-day deliveries from our central kitchens for daily orders and ensures consistent freshness, quality, and safety standards across all our restaurant network.

An Integrated and Product-driven Customer Experience Across Online and Offline Channels

For customers' in-store experience, our restaurant design aims to highlight our signature products, offering a differentiated experience that balances product presentation with distinctive aesthetics. We adopt an open kitchen layout in restaurants that presents ingredient handling and preparation processes. These are complemented by product lightboxes, digital screens, and other tools to visualize ingredient traceability and further reinforce customer trust in our food quality. Moreover, our differentiated in-store service is supported by online engagement and member service system with tier-based benefits, allowing us to maintain consistent customer touchpoints and engagement, promptly follow up to collect feedback, sustain ongoing interaction and further ensure customer experience after they leave.

We place great emphasis on direct communication and connection with our members, encouraging them to stay within our proprietary digital channels. As of December 31, 2025, each restaurant general manager was responsible for engaging with a member base averaging over 23,000 individuals per store. Supported by our quality offerings, we have cultivated a loyal and growing customer base that supports repeat purchases and sustainable revenue growth. During the Track Record Period, our registered membership base grew from approximately 5.4 million as of January 1, 2023 to over 16.1 million as of December 31, 2025.

An Optimal Restaurant Profitability Model Supporting Rapid Cross-Regional Expansion

We place great emphasis on lean store operations. Supported by our central kitchens and cold chain infrastructure, we have implemented processing and small-batch packaging of ingredients, significantly reducing our restaurant' reliance on in-store equipment and labor. This approach also reduces the space required for back-of-house operations and storage. On average, our kitchen space accounts for less than about 20% of each store's floor areas, resulting in substantially improved space utilization. Our monthly average revenue per square meter increased from approximately RMB2,300 in 2023 to over RMB2,650 in 2025.

In particular, we have built a strong regional foundation in Henan through years of efforts. As of December 31, 2025, we operated 54 restaurants in Henan with a market share of 19.8% in terms of revenue in Henan's premium hotpot market, far above other players in the same segment, according to Frost & Sullivan. We have covered all of the key commercial areas in Zhengzhou and built significant presence in core areas of second and lower-tier cities across Henan. The clustering of Banu restaurants in Henan has further strengthened brand awareness and market momentum. It also enables the sharing and flexible allocation of supply chain and human resources, significantly enhancing overall operational efficiency. Leveraging the operational capabilities accumulated through our long-standing presence, we achieved a restaurant operating profit margin of 26.9% in Henan in 2025.

Furthermore, we have developed a highly efficient, scalable and replicable expansion model from over 20 years of operational experience and systematic capability. Our first restaurant in a given new market usually experiences a strong ramp-up, supported by the brand momentum we have built through long-term product differentiation and stable word-of-mouth. This is further reinforced by a broad base of customers who have satisfactory experiences with Banu. For instance, we entered 13 new cities in 2025, and the first restaurant in each of these cities recorded an average table turnover rate of 4.8 during their first full calendar month of operation, exceeding the industry average, according to Frost & Sullivan. High product quality and a well-rounded service experience further drive repurchases and word-of-mouth growth, accelerating our regional expansion.

With our lean and efficient store model and a proven regional expansion strategy, we have formed a virtuous cycle of scaling from single-store success to multi-store replication. This has allowed us to pursue both rapid expansion and long-term efficiency, building a highly predictable growth trajectory. Our total Banu restaurant number increased by 132.6% from 86 as of January 1, 2023 to 200 as of the Latest Practicable Date, within which the number of our restaurants outside Henan, our base market, grew by 265%. In 2025, the overall table turnover rate for Banu restaurants reached 3.6.

An Efficient Supply Chain Platform Enabled by an Integrated Digital System

To ensure consistent delivery of premium ingredients, we have developed a standardized and automated central kitchen system. According to Frost & Sullivan, we are the only one among the top five hotpot chain restaurant operators in China that supplies all menu items across all restaurants via central kitchens. We operate five central kitchens as of the Latest Practicable Date in Northern China, Southern China, Eastern China, Central China, and Southwest China. Their strategical locations are capable of meeting the demand from our rapid business expansion across China. To ensure the consistent quality of ingredients and achieve 24-hour fresh delivery, central kitchens generally have a coverage radius of up to 600 kilometers. We continuously improve the operational efficiency of our central kitchens and maintain our competitive edge by optimizing production line layout, making technological upgrades and personnel scheduling adjustments.

At the same time, we have built an integrated digital system that covers the full operational cycle, including procurement and supplier management, central kitchen operations, warehousing and logistics, workforce management, and store operations. Our in-store inventory management system enables tracking and intelligent analysis of inventory levels and shelf life of key ingredients. As a result, our inventory turnover days decreased by 16.3% from 2023 to 2025. Our highly efficient supply chain is particularly important as we strive to deliver natural and fresh ingredients at Banu restaurants. Given that fresh vegetables typically have a shelf life of two to four days, our digitally enabled rapid turnaround significantly enhances ingredient freshness and supply chain efficiency, reinforcing our competitive advantage in providing premium-quality ingredients. Supported by our advanced digital system, our restaurants can place orders daily, which are promptly processed through logistics scheduling, ensuring next-day delivery from central kitchens.

A Visionary Founder with Industry Insights and a Diversified, Professional Management Team

Our founder, Mr. Du Zhongbing, is a visionary entrepreneur with extensive experience in the catering industry. For over two decades, he has remained true to his original aspiration of building "Not just a great hotpot, but a school for excellence (一個好火鍋,一所好學校)." Since opening the first restaurant in 2001, Mr. Du has adhered to a product-centric philosophy and led Banu with a focus on natural and healthy principles, driving innovation across the industry. As a pioneer in product innovation and brand building in the catering sector, Mr. Du has established a product-driven operational model that has successfully led the transition of the hotpot industry from a service-oriented approach to a product-oriented consumption model.

Under Mr. Du's leadership, we have built a diverse and professional management team composed of talents from across industries. Our team members possess both interdisciplinary backgrounds and deep domain expertise, with a well-structured age mix and a sharp insight into emerging dining trends. The core management team shares and upholds Banu's values and entrepreneurial spirit, forming a stable and long-term interest-aligned group that ensures strategic consistency and forward-looking execution.

We place a strong emphasis on nurturing young talent and are one of the few companies in the hotpot industry with a large-scale campus recruitment program. Through a systematic selection process, we consistently attract outstanding university graduates as future leaders in senior management and store operations. As of December 31, 2025, 77.7% of our restaurant general managers held an associate degree or above, providing standardized and quality talent support for our nationwide expansion.

OUR GROWTH STRATEGIES

We are committed to further solidifying our market position and achieving stable scaled growth and premium development through strategic expansion of our restaurant network, continuous refinement of our product and supply chain systems, increased investment in digitization, and deepening of brand building.

Replicating a Proven Model and Continuously Expanding Restaurant Network to Drive Stable Business Growth

We plan to continuously explore growth potential in existing markets and identify opportunities in new markets. Based on local market dynamics and customer preferences, we aim to formulate effective, localized store expansion strategies. In cities we have already entered, we have established efficient operating models and store formats. Leveraging our in-depth city-level operating experience and insights into local customers, we intend to strategically identify and secure quality locations, gradually increase store density, and replicate our proven model in Henan across the country to achieve steady and scalable growth.

To further strengthen our regional presence, we plan to deepen our penetration in existing markets and expand into untapped sub-markets within each city.

For selective expansion into new regions, we will assess multiple factors including economic development, population size and structure, youth demographics, consumption patterns, and taste preferences. We intend to seize growth opportunities in underdeveloped markets. Specifically, we will take first-tier cities or provincial capitals as our base, and leverage the brand momentum we have in these regions to expand into surrounding cities. In Henan, for example, we have successfully entered other cities in the province on the basis of Zhengzhou as our base market. Going forward, we will continue to expand our presence in these cities, gain experience operating in lower-tier markets, and replicate this approach in other high-potential regions.

Continue Enhancing Product Research and Development and Innovation, and Strengthen Supply Chain to Improve Operational Efficiency

We plan to continuously enhance our product R&D and innovation to provide customers with a product-centric consumer experience. At the same time, we will continue to enhance our supply chain to further improve our overall operational efficiency.

In terms of product R&D, we will continue to adhere to our product-centric philosophy, placing emphasis on innovation in hotpot ingredients and preparation techniques, and further mastering key technologies to enhance product quality and differentiation.

On the sourcing side, we will continue to optimize supplier selection standards and evaluation systems, deepen partnerships with core quality suppliers, and leverage our growing scale to enhance bargaining power and realize economies of scale.

We also plan to support our upstream suppliers by sharing our processing standards and technical requirements. This will help drive product innovation and ensure ingredient quality and standardization, while also enabling more effective cost management.

With the expansion of our store network, we will increase the capacity of our existing central kitchens and selectively build new ones in strategic locations to ensure timely and reliable ingredient distribution, supporting our store expansion and standardization of output.

Continue Investing in and Deepening Digital Enablement to Enhance Operational Management

We plan to continue investing in digitalization to achieve more effective cost control and continuously improve our overall operational capabilities, laying the foundation for quality growth.

On the store side, we will continue to roll out our digital store management system, covering core areas such as reservation, queuing, ordering, kitchen-to-table flow, staff scheduling, performance tracking, and monitoring of key operating and financial metrics. This will standardize and refine store operations, ultimately improving efficiency.

On the supply chain side, we will continue investing in and optimizing our supply chain information systems to streamline information flows. For instance, we plan to improve scientific decision-making in purchasing, delivery, and restocking, as well as inventory management at the warehousing level. Meanwhile, intelligent logistics systems will be used in distribution to ensure efficient fulfillment while reducing cost and wastage.

Continue Investing in Brand Building to Strengthen Brand Image

We plan to continue investing in brand and building our membership system to enhance customer engagement and interaction, expand our customer base, further capture consumer awareness, and increase our brand mindshare.

In terms of culture and brand development, we aim to enhance our ability to produce quality content, continue promoting our product-centric philosophy, and deliver a distinctive and enriched brand image. Our ongoing network expansion, coupled with deeper market penetration and geographic reach, is expected to further enlarge our customer base and reinforce our brand equity. We will continue to broaden marketing channels to reach targeted customers effectively and consolidate brand awareness across markets.

In terms of membership, we aim to expand the reach of our program. At the same time, we will strengthen member engagement by offering creative events and attractive benefits, creating more value for our customers.

OUR HOTPOT BUSINESS

We operate a self-operated network of premium hotpot restaurants committed to the product-centric philosophy (產品主義). We strive to deliver a quality hotpot dining experience through the careful selection of ingredients, a refined product portfolio, a well-established supply chain, and a consistently operated self-operated restaurant network. We have always positioned our product quality as our core competitive advantage and continue to refine our offerings with a differentiated approach. We adopt a standard of "chilled not frozen, natural not artificial, and same-day not overnight," which has contributed to the establishment of our strong brand recognition and distinctive positioning in China's premium hotpot market. According to Frost & Sullivan, we were the largest brand in China's premium hotpot market in terms of revenue with a market share of 3.6% in 2025. We were also the second-largest brand in China's overall hotpot market in terms of revenue with a 0.4% market share in 2025, according to the same source.

During the Track Record Period, our revenue, which was primarily derived from restaurant operations, grew steadily as the number of our restaurants increased. In 2023, 2024 and 2025, revenue from restaurant operation related services amounted to RMB2,044.9 million, RMB2,253.6 million and RMB2,804.4 million, respectively, accounting for 96.8%, 97.7% and 98.5% of our total revenue for the same periods, respectively. In addition, we generated a small portion of revenue from sales of condiment products and food ingredients during the Track Record Period.

The following table sets forth a breakdown of our revenue source in absolute amounts and as a percentage of our total revenue for the periods indicated.

	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Restaurant operation related services	2,044,928	96.8	2,253,587	97.7	2,804,396	98.5
Sales of condiment products and food ingredients	58,904	2.8	47,357	2.0	33,722	1.2
Others[(1)]	7,737	0.4	6,325	0.3	8,322	0.3
Total revenue	**2,111,569**	**100.0**	**2,307,269**	**100.0**	**2,846,440**	**100.0**

Note:

(1) Others primarily represent revenue from sublease of a few of our leased properties and sale of kitchen waste, such as food scraps, leftovers, used cooking materials and other biodegradable waste generated during restaurant operations.

Our Menu Philosophy: A Product-Centric Journey Starting from Beef Tripe

We see products as the cornerstone of our business. Guided by a product-centric philosophy that emphasizes authenticity, natural flavors, nutritional integrity and high standards, we have consistently developed benchmark dishes that lead industry trends and drive customer preference. This philosophy anchors our product development and menu design, enabling us to meet growing demand for quality hotpot.

Beef tripe and wild mushroom broth are our signature products. They have remained key drivers of customer loyalty for over two decades, and are widely recognized as hallmarks of Banu brand. Together with our twelve companion dishes, which feature either original recipes or differentiated supply chain advantages, these products form a stable and distinctive core product portfolio that supports high repurchase rates and long-term brand competitiveness.

In 2023, 2024 and 2025, beef tripe, wild mushroom broth and twelve companion dishes together accounted for 47.8%, 48.0% and 48.6% of our total sales, respectively. This consistent performance demonstrates the strength of our key items and underpins our competitive positioning in the premium hotpot segment.

Beef Tripe and New Zealand Chilled Fresh Beef Tripe

Beef tripe is both the signature dish of Banu and a symbol of Sichuan-Chongqing hotpot. Over the years, we have established a strong mental association among consumers from hotpot to beef tripe, and from beef tripe to Banu. According to Frost & Sullivan, we were among the first in the industry to use papain-based tenderization technology to replace the traditional caustic soda method to deliver healthier and crisper beef tripe products. According to Frost & Sullivan, we further pioneered the beef tripe preparation as one of the earliest market players to develop a mechanized beef tripe processing line, setting a new industry benchmark for clean, standardized, and sustainable production.

In 2024, we further elevated the beef tripe category by introducing New Zealand Chilled Fresh Beef Tripe, sourced from grass-fed cattle raised on natural pastures. Prepared and cut tableside by our staff, the product delivers an enhanced sensory experience by showcasing its freshness and texture directly to the customer, reinforcing both product quality and customer engagement.

Wild Mushroom Broth

Wild mushroom broth is our signature broth, made daily in-store using wild mushrooms sourced from high-altitude regions in Yunnan, Guizhou, and Sichuan. Each pot is simmered to extract a rich, mellow flavor. To enhance the dining experience and showcase the depth of flavor, we launched a tasting ritual in 2024 known as the "Three Sips of Mushroom Broth." The first sip is enjoyed with chopped scallions to highlight the broth's natural umami. The second is paired with coriander pork paste for a savory, aromatic balance. The third is completed with our house-made Banu hand-pulled noodles, offering a satisfying and memorable finish.

As our signature items, beef tripe and wild mushroom broth consistently achieved the ordering rate of approximately 80% on our menu throughout the Track Record Period. Their sustained popularity underscores the effectiveness of our product strategy and continues to reinforce customer loyalty to the Banu brand.

Our Adherence to Product-Centric Philosophy beyond Customer Expectations

The following diagram illustrates our twelve companion dishes.

At Banu, each of our items reflects the commitment to delivering on our promise to customers while driving innovation and standardization across the upstream supply chain.

- Australian Wagyu. In response to the complexity and uncertainty of the beef supply chain in the hotpot industry in 2024, we made a strategic decision to adopt Australian Wagyu as our primary beef source to ensure supply stability and food safety. In 2025, we became an officially recognized partner of the Australian Beef Association, further reinforcing customer confidence in the quality and origin of our beef products.

- "365 Days of Fresh Bamboo Shoots." To ensure the year-round availability of fresh bamboo shoots, we overcame supply chain limitations by implementing a seasonal sourcing strategy, selecting suitable production regions and bamboo varieties, and utilizing end-to-end cold-chain logistics to deliver freshness to customers across the country.

- "Monthly Fresh Vegetables." Leveraging Yunnan's year-round mild climate, we have established a stable supply of seasonal specialty vegetables throughout the year. By building a dedicated supply chain hub in Kunming and upgrading our cold-chain logistics capabilities, we have made Yunnan-grown vegetables accessible nationwide and enhanced the seasonal standard for hotpot vegetable products.

- Natural Products. Signature products such as our pure sweet potato made only with sweet potatoes and water and mung bean sheet jelly made only with mung beans and water exemplify our dedication to natural, additive-free ingredients, reflecting our firm commitment to ingredient authenticity and transparency.

Each of our items reflects Banu's commitment to product-centric values. We focus on delivering high-quality, flavorful and health-conscious items through careful ingredient selection and refined preparation, supported by our integrated supply chain resources. See "— Supply Chain and Procurement." In doing so, we aim to provide a dining experience that resonates with customers' expectations for natural, reliable and quality food.

In particular, we had established multiple rural revitalization and designated farming partnerships across China, mainly including: (i) the Native Spinach with Roots demonstration base in Xinxiang County, Henan Province, (ii) the Longzhu Fresh Bamboo Shoots base in Pu'er, Yunnan Province, (iii) the Panda Bamboo Shoots base in Yibin, Sichuan Province, (iv) the Shizhu Chili Pepper base in Shizhu County, Chongqing, and (v) a designated pasture program for Inner Mongolian Grass-Fed Lamb Slices, involving 100 cooperative farming households. These initiatives have supported the standardized and scaled production of origin-sourced agricultural products, enhanced supply chain reliability, and contributed to income growth and sustainable development in rural communities.

Customer Experience Management

We are committed to a customer-centric philosophy, with a focus on ensuring both food quality and dining satisfaction as the core standards of our customer experience. To this end, we have developed a comprehensive customer journey framework that encompasses all key touchpoints, including reservation, arrival, ordering, food delivery, dining, checkout, departure, and post-meal feedback. This framework is designed by our headquarters and executed by each restaurant team.

We dynamically evaluate each restaurant's customer experience performance through standardized inspection checklists, post-meal customer feedback, and mystery shopper reviews. Based on the evaluation results, we make timely adjustments to enhance service quality and continuously improve the customer experience, thereby encouraging customers to come back for satisfactory hotpot. The systematic execution of our customer experience workflow, coupled with our membership benefits program, has contributed to strong customer engagement and loyalty. See "— Customers and Member System."

Our Restaurant Network

We operate all restaurants under the self-operated model to ensure high consistency in products, services, and restaurant management. Through systematic restaurant expansion and standardized operation, we achieve continuous brand value and stable expansion. As of the Latest Practicable Date, we had 200 self-operated Banu restaurants in 57 cities nationwide.

The following table sets forth a breakdown of our revenue from Banu restaurants by region for the periods indicated.

	For the years ended December 31,		
	2023	**2024**	**2025**
		RMB'000	
Central China	1,082,010	1,096,058	1,208,250
Northern China	396,655	460,716	592,200
Eastern China	454,170	548,570	807,599
Southern China	88,311	126,550	182,402
Southwestern China	548	13,670	13,945
Revenue from operation of Banu restaurants	**2,021,694**	**2,245,564**	**2,804,396**

The following table sets forth a breakdown of number of Banu restaurants by city tiers as of the dates indicated.

	As of December 31,			As of the Latest Practicable Date,
	2023	2024	2025	
Number of restaurants				
First-tier cities	24	30	35	40
Second-tier cities	57	79	103	112
Third and below tier cities	30	35	42	48
	111	**144**	**180**	**200**

To ensure organizational infrastructure and back-end support for restaurant expansion, we have established our restaurant network with central kitchens and strategically locate restaurants with priority within a 600-kilometer radius. We continuously leverage our "restaurant + central kitchen" integration to flexibly adjust restaurant formats and expansion strategies based on regional consumption and local customer profiles to achieve sustainable growth with quality. During the Track Record Period, our Banu restaurants were primarily located in high-traffic commercial areas, with the majority situated in shopping malls. These location enable us to enhance visibility and foot traffic. The concentration of our restaurants in such hubs is consistent with the expansion of mid-to-high-end shopping malls, which has become a key driver of channel growth for the hotpot industry. According to Frost & Sullivan, the number of shopping malls in China grew from approximately 5.9 thousand in 2019 to 7.7 thousand in 2025, with projections to reach 9.5 thousand by 2030. This trend provides an increasing number of attractive locations for leading hotpot chains to expand across city tiers, and our presence in these premium hubs underscores our ability to capture such opportunities. See also "Industry Overview — Market Drivers and Future Trends Analysis of China's Hotpot Industry." The following table sets forth a breakdown of number of Banu restaurants by type of premises in which they are located as of the dates indicated.

	As of December 31,			As of the Latest Practicable Date
	2023	2024	2025	
Number of Banu restaurants				
Shopping malls	94	129	166	187
Commercial hubs(1)	16	14	13	12
Other locations(2)	1	1	1	1
Total	**111**	**144**	**180**	**200**

Notes:

(1) Including high-street locations and central business districts.

(2) Including transportation hubs and stand-alone premises.

Expansion Strategy

We maintain a strategic pace of restaurant expansion, following a two-step approach of initial brand building and regional penetration. We believe regional core cities offer strong brand leverage and mature customer bases. As such, during the initial expansion phase, we prioritized cities such as Beijing, Shanghai, Shenzhen, Zhengzhou, Suzhou, Nanjing, Wuhan, and Xi'an to build brand awareness and establish operational capabilities. Once brand momentum was established, we gradually expanded into surrounding cities.

During the Track Record Period, we operated restaurants across multiple regions in China. Our presence in Central China included Henan, Hubei, and Shaanxi, while in Eastern China, we operated in Shanghai, Jiangsu, Zhejiang, and Anhui. In Northern China, our operations spanned Beijing, Tianjin, Hebei, Shanxi, and Shandong. We also had a presence in Southern China (Guangdong) and Southwest China (Yunnan). The Central China market, where our brand originated, is our most developed region with the highest restaurant density. As of the Latest Practicable Date, we operated 73 Banu restaurants across 21 cities in Central China. We focus on Eastern China, Southern China, and Northern China for future expansion. In addition, we had assessed our overseas market expansion strategy and plan to expand into international markets when conditions are suitable. In the near term, we expect to open up to five stores using our internal funding (which was not part of the [**REDACTED**] from this [**REDACTED**]) in regions and countries with large Chinese communities, such as Hong Kong and Singapore, subject to the compliance with relevant laws and regulations. We continue to study local consumer preferences, commercial formats, and competitive dynamics to support future expansion in these regions.

Nationally, we replicate our proven "Henan Model." We have developed a distinctive regional expansion strategy, referred to as the "Henan Model," under which we achieve comprehensive market penetration within a province through dense restaurant coverage in major commercial areas, particularly in Zhengzhou, thereby creating broad consumer awareness and accessibility. In addition to provincial capitals, we also extend our presence into more second- and third-tier cities, enabling us to capture incremental demand in core commercial areas and further increase our market share.

The Henan Model generates strong clustering effects, as a high concentration of restaurants within a region not only strengthens our brand visibility and consumer mindshare, but also allows us to share resources, including staff and logistics, across restaurants. This facilitates more efficient supply chain management and manpower deployment, reduces costs and creates economies of scale. Having established its effectiveness in our base market, we have begun to replicate the Henan Model in other provinces by first consolidating our presence in provincial capitals and then extending into surrounding lower-tier cities. The success of this model in Henan has demonstrated our ability to build brand recognition, sustain restaurant performance and achieve profitable growth, and we are replicating this strategy in other provinces such as Jiangsu as a scalable blueprint for nationwide expansion.

With brand momentum accumulated in Henan Province, we have established an integrated process from site selection to restaurant launch and ongoing operations. As our organizational and brand capabilities continue to grow, we efficiently replicate our Henan Model in other provinces to improve regional penetration. As of December 31, 2025, there were 12 provinces or municipalities in which we had established three or more restaurants. In key markets including Henan, Beijing, Shanghai, Jiangsu, Hubei, and Guangdong we had a total of 138 restaurants as of December 31, 2025, supported by a stable customer base and strong brand recognition.

We have implemented, and will continue to implement, various measures to prevent cannibalization between existing and new restaurants. Our expansion planning is based on thorough market capacity assessments, taking into account population density, consumption levels, commercial area structure, and competition. We carefully manage the pace of new openings and closely monitor restaurant expansion through a post-investment review mechanism. Where we identify pressure on restaurant performance due to excessive density or overlapping locations, we adjust expansion plans or optimize restaurant distribution to maintain the health of our restaurant network.

Our expansion strategy is grounded in detailed market capacity assessments, taking into account factors such as population density, consumer spending power, layout of commercial zones, and the competitive landscape. We manage the pace of new openings through centralized planning and a disciplined site selection process, and we regularly conduct post-opening performance reviews to monitor business performance and store density. Where we identify performance pressure arising from overlapping areas, we make timely adjustments to our expansion plans or optimize our restaurant distribution to safeguard the overall health of our network.

To mitigate the risk of cannibalization among our existing and new restaurants and to ensure sustainable expansion in line with Chapter 4.9 of the Guide for New Listing Applicants, we have adopted a disciplined and structured approach:

- Structured Approval and Review Process. We maintain a rigorous internal approval and review mechanism for new restaurant openings, involving finance, operations, brand and legal teams. Each new project undergoes pre-investment evaluation, taking into account the local competition landscape and existing restaurant layout, and post-opening performance tracking to ensure disciplined growth and sustainable returns.

- Province-First Rollout Model. We typically enter provincial capital cities first as we enter into a province to build brand awareness and validate customer demand and operational efficiency. Only after achieving stable restaurant performance and strong brand recognition do we expand within the same city. To mitigate cannibalization risks among multiple restaurants in one city, we carefully assess local population density, commercial districts, and customer demand before approving new sites. Our first few restaurants in a city are typically located in different key districts to maximize coverage of distinct customer groups, and we generally seek to maintain an appropriate distance and differentiated location strategy between restaurants to minimize overlap and protect the performance of existing stores. This phased approach helps avoid premature saturation and reduces the risk of cannibalization.

- Continuous Market Assessments. We regularly assess market dynamics, site performance and resource deployment to ensure that our expansion pace remains aligned with demand and operational capacity. Our internal review process considers not only operational and financial returns, but also potential impact on brand equity, customer experience and overall network layout.

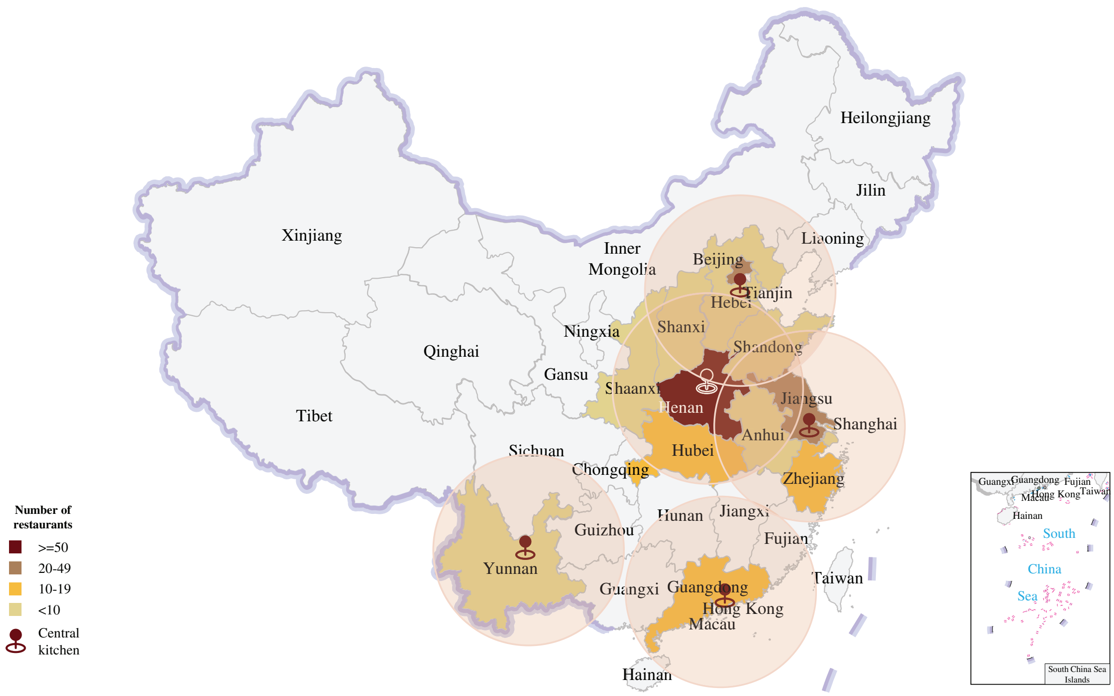
- Synergies from Same-City Expansion. In markets where we operate multiple restaurants, same-city expansion generates synergies in supply chain efficiency and flexible workforce deployment, which contribute to cost control and profitability rather than cannibalization.

Our experience demonstrates that carefully staged expansion can enhance brand presence and customer access without materially undermining individual restaurant performance, leading to stable or even improved table turnover rates in both developed markets (such as Henan) and other markets (such as Xi'an and Shanghai). In Henan, our base market with a relatively dense restaurant network, our turnover rates have remained stable notwithstanding the higher density of restaurants, indicating strong market capacity and operational resilience. In other cities such as Xi'an and Shanghai, where we have gradually increased the number of restaurants over time, the overall table turnover rates have remained stable or even improved as we expanded, reflecting the benefits of effective market evaluation, site planning and brand reinforcement. These cases illustrate that carefully staged expansion can enhance brand presence and customer access without materially undermining the performance of existing restaurants. According to Frost & Sullivan, the premium hotpot market size in third and below tier cities accounted for approximately 40% of the total premium hotpot market in China in 2025, highlighting the significant potential of such markets to support our continued expansion.

As a result of our expansion, we expect our cost structure, profit margin and cash flow to remain stable, supported by our standardized restaurant model, centralized procurement and supply chain system, and digitalized operational management. We do not expect any material changes to our risk profile or compliance and governance framework.

For details of the feasibility studies in relation to new restaurant openings, see also "Future Plans and Use of [**REDACTED**]."

The following chart sets forth the geographic distribution of our nationwide Banu restaurants as of the Latest Practicable Date.



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

Number of Restaurants and Future Expansion

As of the Latest Practicable Date, all our restaurants were operated under Banu brand. In 2023, 2024 and 2025, we opened 25, 35 and 44 new Banu restaurants, respectively. As of the end of each period, our total number of Banu restaurants was 111, 144 and 180, respectively. Historically, in the incubation stage as part of our early exploration initiatives, we operated a small number of restaurants under two other brands, Chao Dao and Tao Niang. By November 2022, all Tao Niang restaurants ceased operation. During the Track Record Period, we operated four restaurants under the brand of Chao Dao, and all Chao Dao restaurants ceased operation by the end of 2024. These brands were primarily established to test differentiated brand positioning, product offerings and operating models distinct from our core hotpot concept. As the scale of these pilot restaurants remained limited, we closely monitored their performance and market response. Based on such assessments, we concluded that the growth potential and strategic fit of Chao Dao and Tao Niang were less compelling compared to our core brand. In particular, the operational resources required to scale these concepts would have diverted attention and capital from our core hotpot business, where we see stronger brand recognition, consumer demand and long-term profitability. Accordingly, we made a strategic decision to discontinue these exploratory brands and focus our efforts on strengthening and expanding our core Banu brand, which we believe offers a clearer and more sustainable growth trajectory.

The following table sets forth the changes in the number of restaurants under Banu and Chao Dao brands during the Track Record Period and up to the Latest Practicable Date.

	For the year ended December 31,			From December 31, 2025 to the Latest Practicable Date
	2023	2024	2025	
Banu Restaurants				
Beginning number of restaurants	86	111	144	180
Number of restaurant openings for the period	25	35	44	22
Number of restaurant closures for the period	0	2	8	2
Ending number of restaurants	111	144	180	200
***Chao Dao* Restaurants**				
Beginning number of restaurants	3	4	N/A(1)	
Number of restaurant openings for the period	1	0		
Number of restaurant closures for the period	0	4		
Ending number of restaurants	4	0		

Notes:

(1) All restaurants under Chao Dao had ceased operations as of December 31, 2024 and no restaurant has been operated under Chao Dao since then. See "Food Safety and Quality Control — Historical Food Safety-related Administrative Penalty."

Historically, we operated a few restaurants under the brand of Tao Niang. In December 2022, we disposed of our entire equity interests of Beijing Tao Niang to the affiliates of certain of the then shareholders of Banu and no restaurants under Tao Niang has been operated by us since then. See "History, Reorganization and Corporate Structure — Corporate Development and Major Shareholder Changes of Our Group — C. Reorganization and Establishment of Our Company — 1. Structure before the Reorganization" and Note 28 to the Accountants' Report included in Appendix I to this Document.

During the Track Record Period, we maintained a prudent pace of restaurant expansion, while typically most of our restaurants were opened in the second half of a year. Restaurant closures during the Track Record Period were primarily due to non-operational reasons such as lease expirations or adjustments to commercial site planning. During the Track Record Period, we did not close any restaurant due to operating losses. Moreover, to standardize restaurant exit procedures and manage operational risks, we have established a comprehensive restaurant closure mechanism. The process includes project initiation, documentation review, cost settlement, site inspection, and internal approval, all of which must follow our step-by-step approval procedures. We have implemented an alert mechanism for closures involving early lease termination so that our network development and regional operation staff can coordinate alternative plans such as site relocation or lease renegotiation to ensure business continuity.

We plan to continue developing our self-operated restaurant network. In terms of geographical layout, we will increase the density of restaurants in key cities where we have already established brand momentum and expand to prefecture-level and county-level cities in the surrounding areas. We expect there will be approximately 52, 61 and 64 newly opened Banu restaurants in each year from 2026 to 2028, respectively. See also "Future Plans and Use of [**REDACTED**]" for details. The upfront investment for each new restaurant, mainly including renovation, equipment, startup costs, and initial operational supplies, is expected to be generally no more than RMB5.0 million, with the exact amount subject to flexible adjustments based on city differences and restaurant formats. Since December 31, 2025 and up to the Latest Practicable Date, we had invested approximately RMB132.5 million in restaurants that were already opened in 2026. These investments were funded by our existing internal resources. In particular, with respect to the approximately 52 new Banu restaurants planned for 2026, 22 restaurants were already opened as of the Latest Practicable Date. As for the rest of the restaurants scheduled to open within 2026, as of the Latest Practicable Date, we had entered into 29 lease agreements for new restaurant sites, which were under construction or renovation and expected to commence operations before the end of 2026. It typically takes approximately three months from the completion of the lease documentation to restaurant opening.

In the case that we do not fully meet the target of opening 52 new restaurants in 2026, our ability to capitalize on available market space might be limited, and our expansion plans might be affected. We have identified strategies to address this potential shortfall and ensure that our long-term expansion goals are met. If we fail to meet the 2026 targets, we may need to accelerate the pace of our expansion in subsequent years by increasing the number of new openings and expanding into new markets, while at the same time enhancing restaurant performance and operational efficiency to offset potential shortfalls. Given the continued growth of the premium hotpot market, we may further expand into second- and third-tier cities, in addition to first-tier and provincial capital cities. Our successful expansion in Henan and Jiangsu provinces provides evidence that our business model in lower-tier cities is scalable and replicable. The growth in the number of shopping malls in China from 7,700 in 2025 to 9,500 in 2030 may provide ample opportunities for continued expansion.

In the meantime, we believe our plan to open 61 and 64 new Banu restaurants in 2027 and 2028 is a disciplined and sustainable trajectory. Against the broader market backdrop, our expansion remains conservative. According to Frost & Sullivan, more than 50,000 new hotpot restaurants are expected to open in China annually, including approximately 1,500 in the premium segment. In contrast, our planned openings for 2027–2028 account for less than 5% of the annual new premium hotpot restaurants. Furthermore, our strategy is anchored in first establishing scale in tier-one cities and provincial capitals, and then expanding into surrounding lower-tier cities. As of the Latest Practicable Date, 12 first-tier cities and provincial capitals had three or more Banu restaurants, indicating meaningful headroom for further penetration. In lower-tier cities, opportunities are even greater. According to Frost & Sullivan, third-tier and below cities accounted for nearly 60% of China's hotpot market value in 2025, amounting to approximately RMB383.7 billion. We have demonstrated our ability to replicate success in such markets, with dense penetration in Henan and Jiangsu serving as evidence of our scalable "cluster" model. In addition, our expansion model is also supported by the continued growth of mid-to-high-end shopping malls, the primary venue for our restaurants. According to Frost & Sullivan, the number of shopping malls in China is expected to grow from approximately 7,700 in 2025 to 9,500 in 2030. Compared with peers and other listed Chinese chained restaurant brands, our current footprint of just over 180 restaurants underscores the significant room for expansion.

We intend to support our future restaurant expansion plans primarily through internal funds, operating cash flow, the [**REDACTED**] from this [**REDACTED**], and external financing arrangements when necessary. We will dynamically adjust the restaurant opening pace based on actual market conditions and operational performance to ensure quality growth with risks under control. We believe that as our restaurant network expands, market awareness and user reach of our brand will continue to increase, thereby delivering stable customer traffic growth and advantages of economies of scale for us.

Initial Breakeven Period and Investment Payback Period

Our sustainable restaurant model enables new restaurants opened during the Track Record Period and in operation as of the Latest Practicable Date to typically reach initial breakeven within approximately two to four months of opening during the Track Record Period. As a testament of our self-sustaining business model and continued expansion, all of the restaurants opened during the Track Record Period and maintained operation as of the Latest Practicable Date have achieved initial breakeven. The investment payback period for our restaurants opened during the Track Record Period and in operation as of the Latest Practicable Date was approximately 14.0 months. In comparison, the industry average level of initial breakeven period and investment payback period for restaurants opened during the same period in China's hotpot market are generally within approximately three to six months and over 18 months, respectively, according to Frost & Sullivan.

Key Restaurant Operating Metrics

The following table sets forth key performance indicators for our Banu restaurants by city-tier for the periods indicated.

	For the year ended December 31,		
	2023	**2024**	**2025**
Average spending per customer[1] (RMB)			
First-tier cities	179	165	159
Second-tier cities	150	141	139
Third and below tier cities	128	123	122
Overall	**150**	**142**	**139**
Total number of customers served ('000)			
First-tier cities	2,961	3,495	4,382
Second-tier cities	7,509	9,265	12,233
Third and below tier cities	3,859	4,067	4,701
Overall	**14,328**	**16,827**	**21,316**
Table turnover rate[2] (times/day)			
First-tier cities	3.6	3.6	4.2
Second-tier cities	3.0	3.1	3.5
Third and below tier cities	3.0	3.1	3.4
Overall	**3.1**	**3.2**	**3.6**
Average number of customers per day per restaurant[3]			
First-tier cities	389	351	389
Second-tier cities	409	388	395
Third and below tier cities	384	357	374
Overall	**398**	**372**	**389**
Average daily restaurant sales[4] (RMB)			
First-tier cities	69,863	57,998	62,078
Second-tier cities	61,356	54,665	54,928
Third and below tier cities	49,234	43,813	45,699
Overall	**59,766**	**52,667**	**54,278**

Notes:

(1) Calculated by dividing sales generated from customers' consumption at our restaurants during the period by total number of customers served during the period.

(2) Calculated by dividing (i) the total number of tables served during the year by (ii) the total table capacity available, which is the number of tables in each restaurant multiplied by the number of days the restaurant was in operation during the year.

(3) Calculated by dividing the total number of customers served during the period by the total number of restaurant operation days for all of our restaurants during the period.

(4) Calculated by dividing the sales generated from customers' consumption at our restaurants during the period by the total number of restaurant operation days during the period.

Our average spending per customer decreased from 2023 to 2024 and further to 2025, primarily attributable to our strategic adjustment of product mix and pricing, which was implemented to attract a broader customer base and enhance our competitiveness amid evolving market trends.

The following table sets forth certain key indicators for our Banu restaurants by year of opening for the periods indicated.

	For the year ended December 31,		
	2023	**2024**	**2025**
Average spending per customer (RMB)			
Restaurants opened before 2023	149	139	137
Restaurants opened in 2023	161	149	144
Restaurants opened in 2024	–	145	141
Restaurants opened in 2025	–	–	140
Overall	**150**	**142**	**139**
Total number of customers served ('000)			
Restaurants opened before 2023	12,693	11,940	11,705
Restaurants opened in 2023	1,636	3,106	3,515
Restaurants opened in 2024	–	1,781	4,652
Restaurants opened in 2025	–	–	1,444
Overall	**14,329**	**16,827**	**21,316**
Table turnover rate (times/day)			
Restaurants opened before 2023	3.1	3.1	3.4
Restaurants opened in 2023	3.4	3.4	3.9
Restaurants opened in 2024	–	3.7	4.1
Restaurants opened in 2025	–	–	3.9
Overall	**3.1**	**3.2**	**3.6**
Average number of customers per day per restaurant			
Restaurants opened before 2023	404	387	410
Restaurants opened in 2023	353	340	385
Restaurants opened in 2024	–	342	366
Restaurants opened in 2025	–	–	330
Overall	**398**	**372**	**389**
Average daily restaurant sales (RMB)			
Restaurants opened before 2023	60,181	53,797	56,306
Restaurants opened in 2023	60,365	53,636	58,948
Restaurants opened in 2024	–	52,572	54,645
Restaurants opened in 2025	–	–	48,970
Overall	**59,766**	**52,667**	**54,278**

The following table sets forth the same store sales of our Banu restaurants during the Track Record Period.

	For the year ended December 31,		For the year ended December 31,	
	2023	**2024**	**2024**	**2025**
Number of same stores[(1)]				
First-tier cities	12		15	
Second-tier cities	35		30	
Third and below tier cities	20		18	
Total	**67**		**63**	
Same store sales[(2)] **(RMB'000)**				
First-tier cities	298,745	254,574	289,268	331,267
Second-tier cities	753,427	690,018	609,024	614,756
Third and below tier cities	349,646	317,924	289,018	297,696
Total	**1,401,818**	**1,262,516**	**1,187,310**	**1,243,719**
Same store sales growth rate (%)				
First-tier cities	(14.8)		14.5	
Second-tier cities	(8.4)		0.9	
Third and below tier cities	(9.1)		3.0	
Overall	**(9.9)**		**4.8**	
Same store table turnover rate[(3)] **(times/day)**				
First-tier cities	3.7	3.5	3.5	4.2
Second-tier cities	3.0	3.0	3.3	3.5
Third and below tier cities	3.1	3.0	3.3	3.5
Overall	**3.2**	**3.1**	**3.3**	**3.7**

Notes:

(1) Consisting of restaurants that were open for more than 300 days within a year under comparison, and that maintained the same number of tables during the years (or quarters) being compared.

(2) Refers to our revenue (excluding revenue from the sales of condiment products and food ingredients) at our same stores during the period indicated.

(3) Calculated by dividing (i) the total number of tables served during the year by (ii) the total table capacity available, which is the number of tables in each restaurant multiplied by the number of days the restaurant was in operation during the year.

(4) In the table above, we only did not disclose the same store sales of Chao Dao for the same reason discussed in footnote (5) to the key performance table on the previous page.

Same store sales are primarily affected by table turnover rates and average spending per customer. Our same store sales decreased by 9.9% from 2023 to 2024, primarily due to a decline in our average spending per customer from RMB150 to RMB142, which reflected our strategic adjustment of product mix and pricing to attract a broader customer base and enhance competitiveness amid evolving market trends, and the decreased average daily customer traffic per restaurant. Nevertheless, according to Frost & Sullivan, our same store sales performance in 2025 outperformed that of most of our peers. Same store sales increased by 4.8% from 2024 to 2025, mainly due to an increase in our same store overall table turnover rate from 3.3 to 3.7, although the average spending per customer declined from RMB142 to RMB139 over the same period.

From 2024 to 2025, we recorded increases in both table turnover rates and same store table turnover rates in first-tier cities and across all city tiers. These improvements were primarily driven by enhanced customer satisfaction and increased repeat visits resulting from our continuous efforts to strengthen product quality, service standards, and digitalized membership operations. In addition, where permitted by mall conditions, we have increased the proportion of restaurants operating on a 24-hour basis, which extended operating hours and further increased the number of tables served, including on a same-store basis.

We take a Banu restaurant as a loss-making Banu restaurant if it is in operation throughout a given period and records a restaurant-level operating loss for such period. Restaurant-level operating loss for a given period is calculated by subtracting restaurant level revenue for such period by (i) raw materials and consumables used, (ii) staff costs, (iii) depreciation of right-of-use assets, (iv) other rentals and related expenses, (v) depreciation and amortization of other assets, (vi) utility expenses, (vii) advertising and promotion expenses and (viii) other Banu restaurant level expenses during the same period. During the Track Record Period, we did not have any loss-making Banu restaurants.

To improve performance and ensure consistent profitability across our restaurant network, we have adopted a range of enhanced operational measures, including: conducting periodic performance reviews and benchmarking against standardized key operating indicators (e.g., table turnover rate, average spending per customer, labor cost ratio); providing targeted managerial and staff training for underperforming restaurants to strengthen frontline execution and customer experience; adjusting product mix and marketing strategies to better align with local customer preferences and drive traffic; and streamlining cost structure, including supply chain and staffing, to enhance unit-level efficiency.

Restaurant Design and Iteration

We have established a comprehensive restaurant design and construction framework supported by internal guidelines, covering all stages from site inspection, functional layout planning, and drawing issuance to construction briefings, on-site checks, and final acceptance. During the Track Record Period, our restaurants typically occupied 400 square meters to 800 square meters with approximately 30 to 50 tables. The layout typically features four-person tables, complemented by a limited number of six-person tables and private dining rooms, to balance seat turnover efficiency and customer comfort.

Restaurant Style Version 7.0 is our current mainstream restaurant model, designed entirely around the theme of natural deliciousness. It features a primary color palette of earthy red, complemented by exposed greenery and ingredient displays to create a relaxed yet grounded atmosphere. The spatial design emphasizes visible, tangible, and experiential product interaction while maintaining efficient kitchen workflows and labor productivity. This version is widely adopted in our restaurants in Central China, Eastern China and other strategic cities. Starting from March 2025, we upgraded Version 7.0 to Version 8.0, which incorporates layout and design adjustments that reflect elements of family-style dining, including the use of warmer materials and more open kitchen features. This version includes updated furniture materials, expanded product display areas for core items such as wild mushroom broth and beef tripe, and a redesigned condiment station to highlight ingredient. Version 8.0 also adds visible soup preparation and raw ingredient displays to reinforce our focus on product quality.

New Restaurant Development and Management

We have adopted a systematic management framework for new restaurant development to ensure efficient and quality construction. The development process includes network planning, site selection, project kickoff, project design and construction, acceptance and delivery, and opening. Project progress is monitored through digital management tools, which improves efficiency, ensures transparency, and supports our continued growth and scalable expansion.

To ensure successful restaurant openings and profitability, we apply a site assessment framework consisting of city capacity, commercial area value, project scoring, and site-level evaluation, with each project managed by designated team members and overseen by a dedicated store investment committee, supported by a new store marketing team to ensure consistency between store positioning and marketing performance during the opening period.

We have implemented internal coordination mechanisms, including weekly development sync-up meetings, design review meetings, and launch planning meetings, supporting end-to-end oversight and helping us meet targets for new restaurants, profitability, and return on investment. We have also formulated a methodical approach to establishing presence in new markets; for example, since 2020, we have opened eight restaurants in Xi'an in key commercial areas, where in 2025 our restaurants achieved an average table turnover rate of 4.7.

During the Track Record Period, the average time from the completion of the lease documentation to the actual restaurant opening was approximately three months, including design review, construction and delivery, and store opening.

Lease Management

Substantially all of our restaurants operate on leased premises from third parties, for which we have entered into lease agreements with property owners. Due to our brand recognition, operating performance, and customer reputation, we often secure locations in core commercial hubs suitable for our strong customer-drawing power, such as MixC (萬象城), Joy City (大悦城) and Wanda (萬達).

Our standard lease agreements generally include the following key terms:

Lease term	Typically less than ten years. For certain key properties, longer lease terms may be agreed upon to ensure operational stability.
Rental payments	Rent is generally payable on a monthly or quarterly basis and subject to an annual escalation mechanism, depending on the property's location, lease duration, and commercial negotiation outcomes.
Rent-free period	Most leases include a rent-free period to accommodate fit-out and pre-opening preparations. The length of such period varies based on store size, construction timeline, and negotiation results.
Termination	Some leases include provisions allowing us to terminate the lease upon certain conditions with advance notice, offering flexibility in response to changes in the commercial area or store performance.
Other terms	Leases typically specify the parties' rights and obligations in relation to property maintenance, taxes, permitted use, subleasing or transfer, as well as default liability, force majeure provisions, and dispute resolution mechanisms.

To ensure proper information transfer during store handovers, we treat lease agreements as core documents subject to standardized numbering and management. Lease agreements are retained by the legal or administrative department at headquarter level. We have established a compliance system so that key contractual obligations, special terms, and potential risks must be confirmed by both outgoing and incoming managers to ensure information symmetry and operational continuity. This mechanism supports standardized and compliant store operations.

ORGANIZATIONAL AND TALENT DEVELOPMENT AT BANU

Our organizational and talent capabilities support high-quality growth and sustainable expansion. Our development framework is built around the customer-centric model for organizational empowerment and the triangle model for talent development.

The Customer-Centric Model for Organizational Empowerment

This model reflects a reverse power structure: customers lead the restaurants, restaurants lead the headquarters, and the headquarters is responsible for professional support.

- Customer-led restaurants. Customers help shape our brand reputation through word of mouth and serve as quality monitors by providing post-meal reviews and participating in mystery diner evaluations. These inputs are incorporated into our restaurant performance assessments and drive continuous improvement in our operating standards, ensuring that customer feedback becomes a mechanism for encouraging customer interests.

- Restaurant-led headquarters. Operational feedback and priorities originate from our customers, flow through the restaurants, and are communicated to our headquarters. Our front-line employees focus on supporting daily operations, while our headquarters prioritize representing customer interests. Our restaurants rely on headquarters for ongoing support and standard-setting, and in turn, evaluate the quality and effectiveness of that support.

- Professional headquarters. The headquarters focuses on building competitive capabilities through the development of standardized systems that directly support restaurant operations. These include product management, business model management, product supply, store development, restaurant operations, and brand marketing.

This reversed structure, distinct from the traditional bureaucratic model, constitutes our customer-centric organizational model. We believe this model — letting customers evaluate restaurants and restaurants evaluate the headquarters — continuously activates organizational competitiveness and drives innovation at the restaurant level.

The Triangle Model for Talent Development

The core of our talent model is talent selection. We identify good performers from within our restaurants as candidates for management roles and strategically recruit high-potential university graduates. Our selection emphasizes proactivity, ambition, and a strong sense of purpose.

- Training and Processes. After selecting the right people, we provide them with structured development pathways, including rigorous stage-based training and evaluation mechanisms. These ensure that employees fully master their current roles before progressing to the next stage.

- Assessment and Incentives. We have implemented a contribution-based performance evaluation and compensation system. The assessment framework combines basic operational competencies (product quality, service, hygiene, food safety) with business outcomes (such as profit performance), and is reinforced by an internal competition mechanism across cities and regions. Restaurant general managers are compensated based on the size and complexity of their operations, with additional bonuses awarded for surpassing targets or achieving record-breaking performance.

- Culture and Values. We promote shared values, such as customer-centricity, product quality, teamwork, initiative, responsibility, integrity, and results orientation. These values are embedded into our culture and unify employees with a shared sense of mission and long-term commitment.

Our talent philosophy centers on cultivating and motivating outstanding restaurant general managers. Through years of practical refinement, our triangle talent model has enabled us to replicate and scale a high-quality team of restaurant general managers across our restaurant network.

BRANDING AND MARKETING STRATEGY

We are committed to making natural flavors as our brand value proposition, and continue to build brand perception around premium ingredients. We align our menu design, in-store displays, and content marketing to reinforce customer associations of Banu brand with concepts of premium hotpot and product-centric philosophy.

Our brand strategy emphasizes "letting the product speak for itself" in both online campaigns and offline advertising.

- Offline, we place advertisements in high-traffic areas of key commercial complexes, including building facades, main traffic zones, parking areas, and elevator lobbies. We also use in-store space to reinforce branding through ingredient displays, product information, and consistent visual design.

- Online, we promote our brand through a diversified mix of channels, centered on Xiaohongshu, Douyin, and Dazhong Dianping. We apply platform-specific strategies to enhance engagement and distribution efficiency. On Xiaohongshu, we focus on food origin stories and lifestyle-oriented content, using keywords such as "wild mushroom broth," "beef tripe," and "natural flavors" to foster a cohesive and brand-aligned stream of user-generated content. This helps us reach and engage core target customer groups who value quality and healthy lifestyles, especially among younger demographics. On Douyin, we use short videos and livestreaming to highlight product quality and ingredient preparation. Participation by our management team in live sessions further strengthens authenticity and builds customer trust, creating a more direct communication channel with our customers.

We also run thematic "origin trace" livestream campaigns, taking viewers to Yunnan, Sichuan, Inner Mongolia and other sourcing regions to showcase how key ingredients such as wild mushrooms, grass-fed lamb, fresh bamboo shoots and specialty peppercorns travel from farm to table. These campaigns significantly increase exposure.

We organize and coordinate our marketing team around brand strategy, visual design, content operations, media placement, public relations, and event planning. During the Track Record Period, we maintained stable investment in brand marketing, with annual advertising and promotion expenses accounting for approximately 3.0% to 4.5% of revenue. According to our PRC Legal Advisor, we had complied with relevant rules and regulations in relation to short videos and livestreaming in all material aspects during the Track Record Period and up to the Latest Practicable Date.

We believe that brand equity, customer reputation, and customer relationships are key drivers of sustainable growth. Looking ahead, we will continue to reinforce our position as an established premium hotpot brand through a product-led strategy, content-driven engagement, and data-enabled operations.

Brand Recognition and Market Performance

Since our founding, we have focused on building a competitive brand and have received multiple industry awards across categories such as quality and public welfare. We had received 176 awards and honors as of the Latest Practicable Date. See also "— Awards and Recognition."

We consistently rank among the top restaurant brands in China according to ratings from major food review platforms. As of December 31, 2025, approximately 40% of our stores received five-star ratings on Dazhong Dianping. As of December 31, 2025, we ranked second nationwide in hotpot-related search on Dazhong Dianping, and have consistently remained among the top-performing hotpot brands on the same platform.

DIGITALIZATION AND DATA-DRIVEN OPERATIONS

We are committed to continuous investments in digitalization, driving process automation to better respond to evolving market competition and customer demands. Our digital initiatives aim to significantly enhance the efficiency of restaurant operations, supply chain management, financial management, and restaurant development management. By implementing comprehensive, advanced, and efficient digital tools and systems, we enhance standardization, transparency, and responsiveness throughout our operational processes. We have established dedicated digitalization teams closely aligned with each business unit, ensuring effective and systematic execution of our digital strategies.

Restaurant Operations Management

We continuously optimize digital systems related to reservations, queuing, ordering, in-service interactions, billing, invoicing, departure, and complaint handling. Through iterative improvements, we enhance customer satisfaction and support our service strategy.

We are expanding our proprietary daily wage management system, which integrates digital attendance, scheduling, and payroll functionalities. By adopting pilot programs such as daily wage reconciliation and weekly settlement, we aim to improve employee engagement, fairness, and efficiency. Our scheduling system is integrated with training systems to ensure qualified staffing and efficient personnel arrangements. Additionally, we continuously refine our training system, developing comprehensive daily, weekly, and monthly training plans to support talent growth and operational excellence.

We continuously refine our food preparation and serving processes, clearly assigning responsibilities to individuals, maintaining consistent quality, and enhancing serving efficiency, while optimizing labor costs associated with these processes.

Supply Chain Management

Driven by restaurant demand and orders, we continuously optimize our digital supply chain management system, covering planning, procurement, warehousing, production, and logistics, significantly improving supply efficiency, accuracy, and cost management.

Financial Management

We utilize an integrated financial management system to oversee cash flows. Linked directly with our restaurant operational platform, this system enables monitoring and analysis of financial and operational data, supporting precise management decisions regarding pricing and budget allocation. To minimize risks related to cash misappropriation and internal fraud, the system cross-verifies cash records with sales transactions. During the Track Record Period, we did not experience any incidents of cash misappropriation or fraud that materially adversely impacted our business, financial condition, or results of operation.

Restaurant Construction Management

We will launch an integrated digital system covering the entire lifecycle of restaurant development, from network planning, site acquisition, design, engineering, external coordination, to operational handover. This system enables comprehensive cost management, supplier oversight, repair and maintenance scheduling, and lifecycle management of facilities and equipment from procurement to disposal, effectively supporting our strategic expansion objectives.

CUSTOMER AND MEMBER SYSTEM

Our Customers

During the Track Record Period, our customers consisted primarily of (i) individuals dining at our restaurants and (ii) corporate customers in China purchasing condiment products and food ingredients from us. In 2023, 2024 and 2025, the number of individual customers we served at our restaurants was approximately 14.3 million, 16.8 million and 21.3 million, respectively, and the number of corporate customers we served was 46, 19, and 15, respectively.

In 2023, 2024 and 2025, revenue from our five largest corporate customers in each period during the Track Record Period was RMB55.2 million, RMB43.2 million and RMB31.5 million, respectively, accounting for 2.6%, 1.9% and 1.1% of our total revenue for the same periods, respectively. During the Track Record Period, we were no subject to any material customer concentration risk.

During the Track Record Period and up to the Latest Practicable Date, save for Beijing Tao Niang, who was one of our connected persons and who was among our top five largest corporate customers in 2023 and 2024, all of our five largest corporate customers in each period during the Track Record Period were Independent Third Parties, and none of our Directors, their close associates or any Shareholder which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company, had any interest in any of our five largest corporate customers in each period during the Track Record Period.

Our Member System

We have continuously built a stable and loyal customer base. To enhance customer experience and repurchase, we have built a comprehensive member management system. Customers can register as our members by registering their mobile phone numbers into our system after their first dining experience at our restaurants. As of December 31, 2025, our cumulative total members exceeded 16.1 million.

We enhance customer perceived value through our member benefits system, offering features such as reward points, new product tastings, and rewards point redemption of merchandises. Our customers can earn such benefits as long as they register as our member. In particular, our customers can earn reward points through consumption or sign-in, which may subsequently be redeemed for dishes or gifts. We record the balance of reward points that our customers have accumulated but not yet redeemed or expired as contract liabilities. As of December 31, 2023, 2024 and 2025, we had contract liabilities related to customer membership programs, representing the contract liabilities associated with reward points, of RMB16.6 million, RMB15.4 million and RMB10.7 million, respectively. The following table presents the amount of reward points redeemed and expired during each year of the Track Record Period.

	Year Ended December 31,		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Redeemed	7,198	17,110	17,095
Expired	4,589	11,062	11,149

We also encourage restaurant general managers to engage with customers through offline communities, member day event, and other interactive initiatives to enhance user activity and brand stickiness. At the same time, our customers can stay in touch with our restaurant general managers through WeCom accounts. In customer management, we have a dedicated customer experience management department, and have established a customer process system covering "reservation — arrival — ordering — dining — repurchase." Restaurants are equipped with customer experience officers, who ensure standardized and closed-loop execution of customer satisfaction management, supported by unified training and process supervision mechanisms. Through this mechanism, we effectively improved overall customer satisfaction and follow-up frequency during the Track Record Period.

We have implemented standard procedures and internal guidelines to record, review and respond to customer complaints in a timely manner. Complaints received through various channels, such as in-store feedback, official social media accounts and customer service platforms, are generally logged and assigned to designated staff for follow-up. Our restaurant teams are responsible for first-level handling, while more complex or recurring issues are escalated to the headquarters for further review and resolution. We also conduct periodic analysis of customer feedback to identify areas for service improvement and staff training. During the Track Record Period, we did not receive any material customer complaint with respect to our restaurants.

SEASONALITY

During the Track Record Period, we typically experienced stronger revenue during holiday seasons, such as the Chinese New Year, summer break, National Day holiday, and year-end periods, primarily driven by increased customer traffic and dining activities during these times. Revenue generated in each season of a year can also fluctuate for other reasons, including the timing of new product launches, and the timing of advertising and promotional activities. See "Risk Factors — Risks Relating to Our Business and Industry — Our Product Sales and Business Operation Are Subject to Seasonal Fluctuations."

PRICING STRATEGY

Our product pricing is centrally determined by our headquarters and reflects a combination of factors including cost structure, product positioning, customer preferences, and market acceptance. We adopt a value perception-oriented pricing approach, aiming to reinforce customers' understanding of price rationality by highlighting ingredient quality, sourcing traceability, processing standards, and differentiation in product presentation. This allows us to balance brand premium with customer acceptance. For example, certain specialty vegetable items are priced relatively higher but are perceived by customers as quality and trustworthy due to their natural characteristics, limited availability, and sourcing attributes. These items have become important drivers of repeat purchases. While we generally maintain consistent pricing across stores in different regions, we make moderate adjustments to account for variations in local operating costs to ensure market adaptability and competitiveness.

SUPPLY CHAIN AND PROCUREMENT

We have established a third-generation supply chain that integrates direct sourcing from origin, centralized processing at central kitchens and ingredient processing facility, and cold chain distribution. Guided by our philosophy of "chilled not frozen, natural not artificial, and same-day not overnight," this system enables full-process quality control from farm to table. Compared to traditional supply chain models, our approach significantly enhances product standardization, operational efficiency and responsiveness to demand, while maintaining transparency and traceability.

Procurement System and Management

Our procurement cover (i) food ingredients, such as beef tripe, beef, mushroom, vegetables, seafood, spices and seasonings, and (ii) consumables used in our restaurants, such as packaging materials and other consumables. A dedicated procurement team at our headquarters centrally manages supplier resources, formulates procurement strategies, and executes contracts.

We classify procurement into bulk, general, and regional categories. Key ingredients are sourced through centralized procurement under framework agreements. We maintain long-term partnerships with multiple core suppliers to mitigate supply risk. For specialty and seasonal products, we adopt a flexible regional procurement approach.

In 2023, 2024 and 2025, cost of raw materials and consumables used accounted for approximately 33.2%, 32.1%, and 30.2% of our total revenue, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material interruptions, shortages, delays, or disruptions in the supply of ingredients or other consumables, nor did we encounter any significant breaches or early terminations of supplier contracts that materially impacted our operations. There were no material price fluctuations during the same period.

Sources and Shelf Life of Ingredients

We primarily source fresh vegetables and mushrooms from suppliers across China, including designated partner farms. Upon delivery to our central kitchens, we conduct pesticide residue test reports and inspect physical attributes such as moisture level, leaf condition, color, and absence of pests or signs of spoilage, with core items subject to product traceability and batch control. The shelf life for fresh vegetables is typically two to four days from delivery, and they are generally processed and delivered within this period to ensure freshness. We procure meat products from both domestic suppliers in China and overseas sources such as New Zealand, stored and transported under appropriate freezing conditions. Upon receipt, we inspect color, smell, packaging integrity, and verify veterinary or quarantine certificates. Our restaurants typically place orders on a daily basis with next-day fulfillment, and these meat products are generally consumed within ten days after delivery to our restaurants.

Central Kitchen and Ingredient Processing Facility ("底料工廠")

As of the Latest Practicable Date, we operated five central kitchens located in Central China (Xinxiang, Henan), Northern China (Langfang, Hebei), Eastern China (Wuxi, Jiangsu), Southern China (Dongguan, Guangdong), and Southwest China (Kunming, Yunnan).

Our central kitchens are primarily responsible for the processing, packaging and distribution of large-volume key ingredients. These ingredients are delivered to our restaurants through a cold chain logistics system equipped with low-temperature processing and cold storage capabilities, enabling standardized preparation, efficient processing, and reliable daily distribution. The Central China central kitchen supports the restaurant network in the central and western regions, enhancing supply reliability, output consistency, and cost control, and is equipped with digital management to support medium- to long-term expansion and supply efficiency. The Southwest China central kitchen in Kunming manages ingredient sourcing in the Yunnan region and coordinates cross-regional delivery of certain raw materials, such as mushrooms and vegetables, for direct supply to restaurants in other regions.

We have implemented refined functional zoning and capacity planning across our central kitchens to improve ingredient processing efficiency and cold chain throughput. For example, our Northern China central kitchen has a total floor area of approximately 6,000 square meters and is divided into storage zone, processing area, quality control laboratory, and office area. Key functional areas include production room for fresh noodles, vegetables, and marinated meats, specialized beef tripe processing area, water purification zone, cleaning and disinfection area, ambient storage, chilled raw material storage, finished goods cold storage, and frozen storage. Each functional area is equipped with dedicated equipment and operated by trained personnel to ensure standardized and efficient workflows. The storage zone includes approximately 700 cubic meters of ambient storage, approximately 200 cubic meters of chilled storage, and over 270 cubic meters of frozen storage, supporting ingredient classification and freshness management. In the processing area, the noodle production line is equipped with vacuum mixers, compression machines, automated cutting and sealing equipment, shrink wrapping machines, labeling machines, and inkjet printers. The beef tripe rehydration line includes rinsing, shaping, cooling, low-temperature and high-temperature rehydration, and a final rinse section.

Our ingredient processing facility in Chongqing (the "Chongqing Facility") occupied approximately 10,000 square meters. As an expanded and dedicated production base for ingredients, the Chongqing facility enables us to ensure continuous, stable, and quality-assured supply of soup base products. Our ingredient processing facility ("底料工廠") focuses on the preparation of soup base from high-quality ingredients rather than dishes. This supports consistent flavor delivery across our restaurant network and underpins our ability to scale efficiently while maintaining product standards.

The table below sets forth the maximum production capacity, actual output, and utilization rate of each central kitchen and the Chongqing Facility during the Track Record Period.

	For the year ended December 31,								
	2023			2024			2025		
	Maximum Production Capacity	Actual Output	Utilization Rate[1]	Maximum Production Capacity	Actual Output	Utilization Rate[1]	Maximum Production Capacity	Actual Output	Utilization Rate[1]
	(tonnes, except for percentages)								
Central Kitchens									
Central China	14,520	5,722	39.4%	14,520	6,582	45.3%	14,520	8,736	60.2%
Northern China	1,496	1,740	116.3%	6,800	1,370	20.2%	6,800	1,466	21.6%
Eastern China	2,280	1,526	66.9%	2,280	1,658	72.7%	2,280	2,455	107.7%
Southern China	310	223	71.9%	1,550	329	21.2%	1,550	499	32.2%
Southwestern China	N/A[2]	N/A[2]	N/A[2]	N/A[2]	N/A[2]	N/A[2]	N/A[2]	N/A[2]	N/A[2]
Chongqing Facility	**7,332**	**4,986**	**68.0%**	**7,332**	**4,874**	**66.5%**	**7,332**	**6,788**	**92.6%**

Notes:

(1) The utilization rate of each production facility for each period equals the actual output of such facility for the same period divided by the maximum production capacity of such facility for the same period and multiplied by 100%.

(2) Our central kitchen located in Southwest China is responsible solely for distributing local vegetables and ingredients and does not engage in any food processing or production activities.

(3) The production capacity is annualized based on the actual production capacity for the relevant periods.

Distribution and Delivery

We operate a central kitchen and daily cold chain delivery model to ensure the stable output and consistent quality. Under this model, restaurants place orders on a daily basis, which are fulfilled and delivered from our central kitchens on the following day. Our distribution system covers key geographic regions and is supported by standardized logistics procedures and reliable supplier partnerships.

Key features of our distribution network include working with local or regional logistics providers qualified in cold chain transportation, offering low-temperature transport capabilities and vehicles with multiple temperature zones to maintain optimal temperature and humidity conditions for different categories of ingredients during transit. We have established strict delivery protocols and time window requirements to ensure cold chain vehicles promptly complete departure, arrival, and unloading after order placement. We use a transportation management system to monitor vehicle routes and temperature logs, ensuring that key indicators such as delivery time and food temperature are traceable and controllable. To ensure freshness and delivery efficiency, we prioritize our restaurant network expansion within a 600-kilometer radius of our central kitchens.

Through the above mechanisms, we have established a delivery system from our central kitchens to restaurant locations, providing strong support for consistent product quality and customer experience.

The following sets forth material terms of our agreements with third-party professional cold chain service providers.

Scope of service	The agreements clearly set forth the specifications of time windows, temperature zones, routes and other services, and our partners are responsible for strict compliance with these specifications throughout the delivery process.
Safety and health	Our partners are required to deploy vehicles and drivers according to the hygiene and health conditions set forth in the agreements, and shall be liable for any food quality issues that arise therein.
Payment	We provide monthly settlement for our partners and typically complete the payment within a credit term set forth in the agreement.
Risk transfer	Risk is transferred to our partners upon delivery of the goods at the departure point, and back to us once the goods are inspected and accepted at our designated place. Our partners are liable for any delivery failures, delays or quality issues during the delivery process.
Quality Assurance	We will monitor the temperature and routes in real time during the delivery process and inspect the goods at the destination to ensure food quality and safety. Our partners are responsible for violations or quality issues during the delivery process.
Integrity	We include an integrity clause in our agreements with our partners to ensure their compliance with our integrity and anti-corruption policies.
Confidentiality	Our partners are obligated to maintain the confidentiality of our cooperation and any confidential materials from us.
Termination	The agreements can be terminated by mutual consent of both parties or unilaterally by us upon material breach of our partners.

During the Track Record Period, we maintained a stable cooperation with our third-party professional cold chain service providers and we had not experienced any material incidents or disputes with these providers.

Price Management and Risk Control

To manage price volatility risks, we implement differentiated procurement strategies based on the characteristics of each ingredient. For high-volume staples, we adopt a combination of annual framework agreements and strategic inventory planning. For seasonal or region-specific ingredients, we adopt batch-based delivery to help mitigate supply risks arising from seasonal fluctuations.

Procurement pricing is managed collaboratively by multiple independent departments, each responsible for supplier entry standards, pricing approval, implementation oversight, and supplier management. This structure helps mitigate pricing volatility and reduces the risk of human intervention. Looking ahead, we plan to further promote upstream partnerships and capacity expansion for key ingredients.

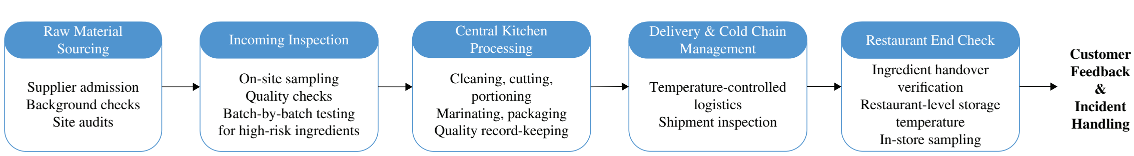
FOOD SAFETY AND QUALITY CONTROL

We always regard food safety as the core foundation of hotpot catering, and we believe that our product-centric philosophy is reflected not only in taste and quality but also in the ability to ensure safety throughout the entire process. Based on this, we have established a food safety and quality control system covering the whole process of raw material procurement, processing, delivery, restaurant operations, and customer feedback.

Especially in central kitchens, we have established detailed standard operating procedures governing key stages of ingredient handling, including cleaning, cutting, portioning and marinating, with strict protocols to prevent cross-contamination and ensure traceability. All raw ingredients undergo category-specific cleaning using dedicated tools and sanitizing agents. For example, tripe and other core ingredients are rinsed multiple times before entering the processing line. To ensure compliance, we assign on-site quality control staff to each central kitchen to conduct random checks and implement real-time rectifications. Our headquarters' food safety team also performs periodic inspections of kitchen operations.

We generally adopt a cautious approach when describing the nutritional attributes of our products in advertising and promotional materials. In 2023, one of our subsidiaries was fined RMB60,000 for displaying misleading nutritional information about the selenium content of a potato dish, which was deemed a violation of the Anti-Unfair Competition Law, as it was considered to constitute a false or misleading commercial promotion regarding the product's quality and function. The issue was promptly rectified, and we have since strengthened our internal review and approval procedures for promotional content and menu descriptions. See "Risk Factors — Risks relating to Our Business and Industry — We may experience significant liability claims or complaints from customers, or negative publicity involving our products, our service, our restaurants or our industry." During the Track Record Period and up to the Latest Practicable Date, we were not aware of any other instances of overstated nutritional claims.

The following flow chart illustrates our quality control measures at each key step from procurement to delivery.



During the Track Record Period and up to the Latest Practicable Date, we did not experience any food safety incidents that had a material adverse impact on our business operations, financial performance or brand reputation. See "— Historical Food Safety-related Administrative Penalty."

Full-chain Quality Control

For raw material procurement, we strictly screen suppliers through an admission mechanism. We collaborate with those who pass qualification reviews, on-site evaluations, and sample testing. We implement a classified and graded management system for ingredients. Upon arrival, all raw materials undergo inspection and packaging verification by our quality control team, with key ingredients subject to batch-wise testing and unqualified materials rejected. For central kitchens, we have developed standard operating procedures covering all stages including cleaning, cutting, marinating, and packaging, with quality personnel assigned for on-site control to ensure operational consistency and food process stability. All finished products are subject to spot-checking and sample retention procedures and are recorded in our system to enable traceability and risk control. For delivery, we promote a daily delivery system through our own cold chain system and cooperative cold chain systems, with vehicles equipped with temperature control systems and GPS-powered positioning devices. At the restaurant level, we have established a comprehensive food safety management system covering delivery inspection, storage control, kitchen operations and post-meal customer feedback with standard practices including daily ingredient sampling, inspection of high-turnover items, and procedural checklists. Restaurant operations are subject to unannounced audits and a structured escalation and response mechanism for any major food safety incident.

Third-party Cooperation and Testing

To enhance testing and management transparency, we collaborate with several third-party food testing organizations for routine spot-checks for core items, new product launch testing, emergency testing for risk events and food safety-related regulation consulting. These testings cover key indicators such as microorganisms, pesticide residue, heavy metal and illegal additives, with results evaluated by quality control specialists of the headquarters to adjust procurement and processing standards.

Risk Grading and Emergency Response

We adopt a tiered management system based on the risk level of ingredients. We implement batch-by-batch inspection, high-frequency sampling and a red-flag list for high-risk items. In the event of serious issues, we immediately suspend supplier deliveries, activate our internal recall mechanism and issue operational alerts. We have established a nationwide emergency response plan featuring restaurant-level containment, headquarters-led investigation, traceability tracking and incident review, with all products subject to batch sampling and delivery records to enable end-to-end traceability across the entire chain.

Food Safety Organizational System and Staffing

We maintain a dedicated food safety and quality control team, with designated staff at central kitchens and restaurants responsible for implementing standard operating procedures and daily inspection protocols. Our headquarters formulates and updates standards, conducts case reviews and trainings, and works with other departments on supplier audits, risk monitoring and the refinement of internal processes to support safe and stable delivery across the network.

Historical Food Safety-related Administrative Penalty

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. These products were found to contain bovine- and duck-derived ingredients as a result of cross-production on shared processing lines, which constituted a violation of the PRC Food Safety Law. 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. Following the penalty, the Chao Dao restaurant promptly completed the required rectification and fully paid the administrative fine. As advised by our PRC Legal Adviser, the required rectification measures have been fully completed and the likelihood of any further administrative liability for the same incident is remote, considering (i) the penalties were paid in full, and the confiscation measures were executed and (ii) there is no indication in the penalty decision that any further corrective actions were required by the relevant authority. Following the Chao Dao incident, we promptly issued public statements and proactively reached out to affected customers through various channels. We made a voluntary commitment, which was not required under applicable laws, to provide compensation to the affected customers. The maximum amount of cash compensation to be paid to affected customers in relation to the Chao Dao incident was estimated to be approximately RMB8.4 million, based on the total sales volume of the relevant product from the opening of the relevant Chao Dao restaurant. The calculation of such maximum amount takes into account the customers who had purchased the affected product, allowing each customer to claim RMB1,000 in cash at the restaurant within a designated time window upon presentation of valid payment records. During the Track Record Period, we had paid approximately RMB5.7 million in cash compensation in relation to the Chao Dao incident.

As part of our business exploration, Chao Dao operated with a brand positioning, target customer base, product offerings and pricing structure that were significantly different from those of Banu, and remained separate from Banu in terms of restaurant operation, procurement and supply chain management. Following the incident, the food production license of the involved manufacturer was revoked and such manufacturer, along with the relevant responsible persons of such manufacturer, was prohibited from applying for new food production license for a period of five years.

Although the administrative penalties were not related to Banu brand, we took the following actions at Banu level: (i) we proactively offered cash compensation through the involved Chao Dao restaurant to affected customers who had purchased related products upon presentation of valid proof of purchase; (ii) we closed all Chao Dao restaurants by 2024, and the company who operated the relevant Chao Dao restaurant was formally deregistered in January 2025. The company which operated the Chao Dao restaurants was not involved in any litigation, claim, legal proceeding or arbitration, nor was it subject to any material non-compliance incidents other than the food safety incident already disclosed, prior to its deregistration. In addition, given the limited scale and brand exposure of Chao Dao, and the clear operational separation from our core Banu-branded business, the Group did not experience any material reputational damage as a result of its association with Chao Dao.

We believe that the Chao Dao incident did not have any material adverse effect on our Group's business operations or financial performance, based on (i) the completion of rectification measures, full settlement of the administrative penalties, and formal closure of the case by the relevant authorities, and (ii) the advice of our PRC Legal Adviser that the likelihood of further administrative liability for the same violation is remote under the PRC Administrative Penalty Law. Furthermore, having considered the nature, scale, and rectification status of the Chao Dao incident, our Directors are of the view that it is neither material nor systemic pursuant to Chapter 1.2D of the Listing Guide, nor did the Chao Dao incident impugn the Directors' suitability under Rules 3.08 and 3.09 of the Listing Rules. Specifically, the Chao Dao incident (i) was isolated and inadvertent occurrences rather than indicators of any systemic weaknesses in our internal controls, (ii) did not materially or adversely affect our business operations, financial condition, or reputation, given limited scale relative to our overall operations and the prompt rectification measures taken, and (iii) had been properly and adequately rectified, with enhanced internal controls implemented to prevent recurrence. Nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' view.

There were four Chao Dao restaurants as of December 31, 2023, all of which were closed as of December 31, 2024. These Chao Dao restaurants generated the revenue of RMB23.2 million and RMB8.0 million in 2023 and 2024, respectively. The closure of all Chao Dao restaurants had no material impact on the Group's operations or financial performance, as during the Track Record Period, the number of Chao Dao restaurants was limited, and their contribution to the Group's overall revenue was immaterial. Following their closure, there was no early termination of major lease contracts, no material staff dismissal costs, and no significant write-off of property, plant and equipment.

Internal Control Measures related to Food Safety

Although the administrative penalties arising from the Chao Dao incident were not related to Banu restaurants, we enhanced our food safety management across the Group, especially in our Banu operations, to demonstrate our strong commitment to food safety and consumer protection.

The following internal control measures have been implemented at the Banu level:

- Strengthened our food safety governance framework by enhancing and strictly enforcing the Food Safety Management Policy, covering the entire supply chain including procurement, processing, storage, and restaurant-level food handling procedures.

- Enhanced supplier admission and evaluation processes, with rigorous documentation requirements and qualification reviews to ensure the compliance and traceability of raw material sources.

- Increased the frequency and depth of internal inspections, including regular site review, sample testing, and monitoring of compliance with food safety protocols in Banu restaurants.

- Implemented a more robust incident response and reporting system to ensure timely containment, investigation, and remediation of any potential food safety risks. Rolled out comprehensive training programs for front-line staff and management, reinforcing a culture of food safety awareness and regulatory compliance throughout Banu's operations.

The Directors are of the view that the above measures are adequate and effective in strengthening the Group's food safety risk management capabilities. These enhancements reflect our proactive and preventive approach toward food safety, going beyond regulatory requirements to protect consumer interests and uphold our brand integrity. Nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' view.

OUR SUPPLIERS

During the Track Record Period, our suppliers were mainly food products and ingredients providers in China. As of December 31, 2023, 2024 and 2025, we had 301, 346 and 346 qualified suppliers of food products and ingredients, respectively. As of December 31, 2025, we had established long-term business relationships with our five largest suppliers in each period during the Track Record Period.

In 2023, 2024 and 2025, purchases from our five largest suppliers in each period during the Track Record Period amounted to RMB158.7 million, RMB102.8 million and RMB187.5 million, respectively, accounting for 22.7%, 13.9% and 21.8% of our total purchases for the same periods, respectively. The following table sets forth the details of our five largest suppliers during the Track Record Period.

Year Ended December 31, 2023

Rank	Supplier	Background	Types of products purchased from suppliers	Purchase Amount	Percentage of total purchase	Year of commencement of business relationship	Credit terms
				(RMB'000)			
1 . .	Supplier A	A comprehensive food wholesale company established in 2018 in Shanghai, engaging in offering various food ingredients to downstream restaurants and retailers, including beef tripe, beef, lamb, duck intestine, goose intestine and beef aorta	Food ingredients (beef tripe)	75,439	10.8%	2022	30 days
2 . .	Supplier B	A private company based in Kunming, Yunnan Province with a registered capital of RMB1.0 million, primarily engaged in food wholesale business	Food ingredients (mushroom)	22,295	3.2%	2021	30 days
3 . .	Supplier C	A private company based in Inner Mongolia with a registered capital of RMB11.0 million, primarily engaged in processing of agricultural and non-staple food	Food ingredients (mutton)	22,190	3.2%	2021	30 days
4 . .	Supplier D	A private company based in Chongqing with a registered capital of RMB5.0 million, primarily engaged in development of agricultural products	Food ingredients (spices)	19,722	2.8%	2022	30 days
5 . .	Supplier E	A private company based in Beihai, Guangxi Zhuang Autonomous Region with a registered capital of RMB20.0 million, primarily engaged in processing of agricultural and non-staple food	Food ingredients (seafood)	19,084	2.7%	2021	30 days
Total				**158,730**	**22.7%**		

Year Ended December 31, 2024

Rank	Supplier	Background	Types of products purchased from suppliers	Purchase Amount	Percentage of total purchase	Year of commencement of business relationship	Credit terms
				(RMB'000)			
1 . .	Supplier C	A private company based in Inner Mongolia with a registered capital of RMB11.0 million, primarily engaged in processing of agricultural and non-staple food	Food ingredients (mutton)	24,350	3.3%	2021	30 days
2 . .	Supplier D	A private company based in Chongqing with a registered capital of RMB5.0 million, primarily engaged in development of agricultural products	Food ingredients (spices)	23,162	3.1%	2022	30 days
3 . .	Supplier B	A private company based in Kunming, Yunnan Province with a registered capital of RMB1.0 million, primarily engaged in food wholesale business	Food ingredients (mushroom)	22,055	3.0%	2021	30 days
4 . .	Supplier A	A comprehensive food wholesale company established in 2018 in Shanghai, engaging in offering various food ingredients to downstream restaurants and retailers, including beef tripe, beef, lamb, duck intestine, goose intestine and beef aorta	Food ingredients (beef tripe)	16,708	2.3%	2022	30 days
5 . .	Supplier F	A private company based in Shanghai with a registered capital of RMB5.0 million, primarily engaged in food wholesale business	Food ingredients (beef tripe)	16,487	2.2%	2024	30 days
Total				**102,762**	**13.9%**		

Year Ended December 31, 2025

Rank	Supplier	Background	Types of products purchased from suppliers	Purchase Amount	Percentage of total purchase	Year of commencement of business relationship	Credit terms
				(RMB'000)			
1 . .	Supplier F	A private company based in Shanghai with a registered capital of RMB5.0 million, primarily engaged in food wholesale business	Food ingredients (beef tripe)	58,079	6.7%	2024	30 days
2 . .	Supplier B	A private company based in Kunming, Yunnan Province with a registered capital of RMB1.0 million, primarily engaged in food wholesale business	Food ingredients (mushroom)	34,088	4.0%	2021	30 days
3 . .	Supplier G	A private company based in Inner Mongolia with a registered capital of RMB35.0 million, primarily engaged in processing of agricultural and non-staple food	Food ingredients (mutton)	32,730	3.8%	2021	30 days
4 . .	Supplier H	A private company based in Shanghai with a registered capital of RMB1.0 million, primarily engaged in food wholesale business	Food ingredients (beef)	31,627	3.7%	2025	30 days
5 . .	Supplier I	A private company based in Beijing with a registered capital of RMB32.9 million, primarily engaged in food wholesale business	Food ingredients (mutton)	31,019	3.6%	2024	30 days
Total.				**187,543**	**21.8%**		

Supplier F was also one of our five largest corporate customers in 2025. On one hand, we procured beef tripe from Supplier F for use in our restaurant operations. One the other hand, if certain beef tripe or beef trip-related by-products in our restaurant operations do not meet our internal specifications for fresh presentation and immediate consumption, but may still remain suitable for alternative downstream applications following further processing, we may sell such products to Supplier F for use in further processing into prepared food or pre-packaged food products, or other industrial or commercial applications permitted under applicable laws and regulations. In 2023, 2024 and 2025, purchase amount from Supplier F was nil, RMB16.5 million and RMB58.1 million, respectively, representing nil, 2.2% and 6.7% of our purchase amount for the same years, respectively, and revenue from Supplier F was consistently less than 0.1% of our total revenue for the same years, respectively.

During the Track Record Period and up to the Latest Practicable Date, all of our five largest suppliers in each period during the Track Record Period were Independent Third Parties, and none of our Directors, their close associates or any Shareholder which, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company, had any interest in any of our five largest suppliers in each period during the Track Record Period.

Our Framework Agreements with Key Suppliers

We typically enter into one-year standard procurement framework agreements with key suppliers, and salient terms of such agreements are as follows:

- Quality Assurance. Suppliers are required to provide third-party inspection reports or internal quality assurance certificates to ensure the product quality meets our acceptance requirement.

- Delivery and Acceptance. The agreements specify delivery schedules and acceptance standards at restaurants or central kitchens. Fresh products must be inspected promptly upon arrival. Suppliers are required to make delivery to our designated places. We have the right to reject products that fail to meet our acceptance standards.

- Payment Terms. Payments are typically made immediately or within 30 days upon completion of the acceptance and reconciliation process.

Generally, we do not set minimum purchase commitment in our framework agreements with key suppliers. During the Track Record Period, there were no material price fluctuations in our key raw materials, nor did we experience any material supply chain disruptions that had a significant adverse impact on our business.

Sensitivity Analysis

The following table sets out a sensitivity analysis on the impact of fluctuations in raw material and consumables prices on our results of operations during the Track Record Period. The fluctuation ranges are derived from historical volatility of our key ingredients. The analysis illustrates the hypothetical impact on our losses under different levels of increase or decrease in material costs. As multiple assumptions are involved, this sensitivity analysis is for illustrative purposes only and the actual results may differ.

Hypothetical increment or decrease of raw materials and consumables used	**(10)%**	**(5)%**	**5%**	**10%**
2023				
Raw materials and consumables used	631,200	666,266	736,400	771,466
Hypothetical increment or decrease of raw materials and consumables used	(70,133)	(35,067)	35,067	70,133
Increment or decrease of net profits for the year	52,600	26,300	(26,300)	(52,600)
2024				
Raw materials and consumables used	666,804	703,848	777,938	814,982
Hypothetical increment or decrease of raw materials and consumables used	(74,089)	(37,045)	37,045	74,089
Increment or decrease of net profits for the year	55,567	27,784	(27,784)	(55,567)
2025				
Raw materials and consumables used	774,437	817,462	903,510	946,535
Hypothetical increment or decrease of raw materials and consumables used	(86,049)	(43,024)	43,024	86,049
Increment or decrease of net profits for the period	64,537	32,268	(32,268)	(64,537)

Anti-Kickback Policy

To ensure transparency in procurement and integrity in our supply chain, we have established a comprehensive anti-bribery and anti-kickback policy. We require suppliers to sign a clean conduct commitment alongside procurement agreements, undertaking not to offer any form of kickbacks, gifts, entertainment, cash, travel, personal funds or other benefits to our staff or their close associates during the course of cooperation. They are also prohibited from engaging in any activities that could compromise fair commercial practices or objectivity in cooperation.

We have implemented a series of internal control measures specifically aimed at preventing supplier kickbacks and similar forms of misconduct. These measures include explicitly prohibiting such practices in our standard supplier contracts; establishing public whistleblowing channels to receive and address reports of suspected misconduct, including those involving supplier relationships; ensuring that all legally permissible rebates and discounts are properly recorded, reported, and accounted for in accordance with relevant PRC laws and regulations; engaging multiple suppliers and brands to avoid over-reliance on any single source and to enhance transparency in procurement; requiring all supplier rebate or promotional support arrangements to be approved through a centralized procurement and legal review process; prohibiting exclusivity arrangements that may restrict fair competition or consumer choice unless reviewed and cleared by the compliance department; implementing internal policies and training programs on anti-unfair competition and anti-commercial bribery laws under the current PRC legal framework; and including compliance and integrity obligations in supplier agreements while conducting periodic compliance audits on selected suppliers and store operations.

Suppliers are required to fully disclose any actual or potential conflict of interest and take effective measures to avoid such situations. In the event of a breach of this commitment, we reserve the right to take actions including, but not limited to, suspension of cooperation, contract termination, pursuit of legal remedies, blacklisting, and referral to judicial authorities.

We encourage both staff and suppliers to report misconduct and have established an independent internal audit and supervision department to handle such reports. Suppliers are obligated to proactively report any suspected bribery or violations and cooperate with investigations by providing accurate and complete information. During the Track Record Period, we did not experience any material procurement-related integrity incidents.

Inventory Management

To ensure the freshness of ingredients and the quality of restaurant output, our restaurants strictly control inventory levels and generally do not maintain large stockpiles. We dynamically adjust stock levels based on sales data, shelf life, turnover rates, historical order patterns, and holiday demand forecasts. Key ingredients can be delivered on a daily basis. These items are processed and distributed through our cold-chain system to ensure timely delivery and optimal freshness.

Our central kitchens serve as regional hubs for ingredient processing and distribution. Each core item is subject to safety stock standards and early warning mechanisms, with inventory allocation adjusted in response to sales performance. Through a tiered inventory structure encompassing central kitchens and restaurants, we achieve a balance between inventory efficiency and output consistency.

CASH MANAGEMENT

All our restaurants support multiple forms of electronic payment, including Weixin Pay, Alipay, and bank cards. As a result, the proportion of cash payments has been maintained at a relatively low level. Approximately 2% of total customer payments was settled in cash during the Track Record Period. All restaurants are equipped with standardized POS and cashiering systems, which are integrated with our headquarters' financial system for automatic daily sales reporting, reconciliation, and cash flow monitoring.

We have adopted internal control measures to prevent cash misappropriation and/or embezzlement by our staff. Cash received at the restaurant level must be deposited into designated accounts by authorized personnel within a specified timeframe. All handovers are conducted under surveillance and documented. We have established comprehensive policies covering safe management, deposit verification, monthly audits, and daily reconciliation. In addition, any accounting discrepancies or exceptions must be reported through our OA system to headquarters.

We began to provide prepaid cards under our customer membership program since 2019. Prepaid cards are generally sold at face value, subject to discretionary discount, typically around 10%, and may be used across all our restaurants. Our discount offered amounted to approximately RMB4.5 million, RMB8.1 million and RMB4.4 million in 2023, 2024 and 2025, respectively, accounting for 0.2%, 0.4% and 0.2% of our revenue for the same year, respectively. Proceeds from the sale of prepaid cards are deposited into designated bank accounts and recorded under contract liabilities. When the prepaid amount is used to pay for purchases, we will make real-time record for the purchase and payment amount. Remaining value in the prepaid cards represented the prepaid but not yet consumed amounts, which is refundable upon application by holders. In 2025, approximately 1.9% of total customer payments was settled with prepaid cards. The following table presents the amount (including value-added tax) of prepaid cards sold, refunded and utilized for the periods indicated and unused prepaid car balance as of the dates indicated.

	For the year ended / As of December 31,		
	2023	2024	2025
		RMB'000	
Sales of prepaid cards	60,919	87,274	51,639
Utilized amount of prepaid cards	60,455	82,742	53,799
Refund amount of prepaid cards	572	1,005	1,216
Unused prepaid card balance	41,940	45,465	42,089

We have completed the requisite compliance procedures for our prepaid cards in accordance with local regulatory requirements, including filing or registration as applicable. We did not record any breakage revenue or forfeited income in relation to prepaid cards during the Track Record Period. The following sets forth the key terms of our prepaid cards with our customers.

Maximum amount	Our customers may choose between registered cards (that are associated with a particular customer's name) and unregistered prepaid cards (that are not associated with a particular customer's name), with maximum prepaid amounts of RMB5,000 and RMB1,000, respectively.
Validation period	Our registered prepaid cards are permanently valid, and our unregistered prepaid cards have a validation period of no less than three years.
Resale	Our customers are prohibited from reselling our prepaid cards to any third parties for profit.
Refund	The remaining balances of our prepaid cards are generally refundable upon provision of corresponding proof of purchase.

We prohibit the resale of our prepaid cards in any form, as expressly set out in the purchase terms and conditions that customers are required to acknowledge at the time of purchase. While we permit transfers of prepaid cards to family members and friends to facilitate genuine consumer use, such transfers are limited in scope and are not intended to enable secondary sales.

To mitigate the risk of unauthorized resale, we have adopted a series of measures. We believe that these measures provide a reasonable and effective framework to minimize resale risks and safeguard both consumer rights and our operational integrity.

- All prepaid cards, whether physical or electronic, are issued subject to contractual undertakings that prohibit resale. For prepaid cards linked to membership accounts, each transfer must be processed through our official membership system, which records the identity and contact information of both the transferor and the transferee, and transactions outside the system are not recognized.

- For unregistered prepaid cards, although we are not able to trace or technically prevent private transfers among customers, we explicitly state in our purchase terms and conditions that resale is prohibited, and we regularly remind customers of this restriction through official communication channels. Redemption of unregistered prepaid cards can only be made through our restaurants, where our staff are instructed to monitor for suspicious patterns such as bulk usage or abnormal redemption activities. Where such circumstances are identified, we may request additional verification or decline redemption to protect consumer interests.

During the Track Record Period, no major cash embezzlement or asset misappropriation incidents occurred. Through institutionalized and digitized cashier management, we effectively ensure the financial compliance and capital security of our restaurants' daily operations.

DATA SECURITY AND PRIVACY MANAGEMENT

We are committed to complying with applicable PRC data protection and cybersecurity laws and regulations and to safeguarding the security and integrity of personal information processed in the course of our operations.

We collect and process customer data primarily in connection with our offline hotpot restaurant operations and online membership services.

- For offline services, we may collect limited personal information such as names, delivery addresses, order records and Weixin IDs, mainly for transaction fulfillment, service optimization and membership management.

- For online membership services offered via our Weixin mini-programs, we collect additional data, including mobile phone numbers, nicknames, gender, birthday, membership level, dietary preferences, redemption records, location data and other information necessary to support functions such as table reservations and benefits redemption.

All personal data is collected with the consent of our customers and is used strictly within the disclosed and permissible scope for purposes directly related to our services.

We store all personal data within Chinese mainland and do not transmit such data outside the territory of the PRC. We retain data only for the minimum period necessary to fulfill the intended purposes, unless a longer retention period is required by applicable laws, and delete it in accordance with our internal protocols once it is no longer needed.

To safeguard privacy and data security, we have adopted a comprehensive set of technical and organizational measures. These include encrypted data transmission, access control, de-identification, regular backups, and the use of network security tools such as firewalls, antivirus programs and intrusion detection systems. As required under applicable PRC laws and regulations, we retain operation logs for no less than six months to enhance data security monitoring and ensure traceability. At the organizational level, we have established and enforce internal compliance policies such as the Data Compliance Management Policy, Personal Information Protection Impact Assessment Policy, Information Security Management Policy, Account Security Policy, and Data Asset Management Policy, which together govern the full lifecycle of data handling.

To ensure that third-party service providers, including payment platforms we cooperate with, comply with data privacy and security requirements under applicable laws and regulations, we enter into data processing agreements that clearly define the scope, purpose, protection standards and supervisory rights. We conduct compliance checks, prohibit subcontracting without approval, and require such parties to return or delete personal data upon termination of the engagement.

During the Track Record Period and up to the Latest Practicable Date, we had not received any third-party claim against us on the ground of infringement of the party's right to privacy or data protection as provided by any applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any incidents of material leakage of personal data. As advised by our PRC Legal Adviser, during the Track Record Period and up to the Latest Practicable Date, we had complied with applicable data privacy and cybersecurity laws and regulations in all material respects and we had not been subject to any investigation, complaint, or administrative penalty by any competent PRC authority in relation to data compliance matters.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We fully recognize the critical importance of environmental, social and governance (ESG) matters to our long-term and sustainable development. Guided by the principles of "high standards, full-chain integration, and sustainability," we are committed to embedding ESG concepts and requirements into our corporate governance framework and day-to-day operations. We closely monitor ESG-related factors that may impact our business, proactively identify associated risks and opportunities, and take comprehensive and effective measures to assess, manage and mitigate ESG-related risks.

We have established key ESG-related policies and systems covering areas such as environmental protection, resource and energy use, food safety, and labor rights protection, to ensure effective and compliant ESG practices throughout our operations.

We are committed to complying with relevant ESG reporting requirements following the [**REDACTED**], and will actively communicate our ESG practices and performance to stakeholders.

ESG Governance Structure

Under the leadership of our Board, we have established an ESG Working Group composed of department heads (or their delegates) to implement ESG initiatives and oversee information disclosure. The ESG Working Group carries out ESG tasks and promotes ESG tasks in accordance with our plan, and regularly reports to the Board on the progress of ESG work and the assessment of material issues to ensure the steady promotion and implementation of ESG-related work.

ESG Risk Management

We believe that the identification and management of environmental, social and climate-related risks are vital to our operational resilience. We have established a structured process for identifying and managing ESG risks, which requires departments to monitor environmental and social risks in the course of operations, identify potentially impactful events and corresponding risk factors, and implement appropriate response measures.

Risk Category	Risk Factors	Mitigation Measures
Food Safety and Quality Risk	Raw materials procured may contain excessive pesticide residues or be affected by weather or logistics conditions, resulting in food contamination, spoilage, or cross-contamination that could endanger customer health.	We adhere to a "quality control first" principle, strictly control food quality, and carry out hazard analysis and critical control point (HACCP) system construction; We have established acceptance standards for incoming raw materials and strictly implement raw material acceptance inspections, including testing for pesticide residues, physical and chemical analysis, and sensory inspection, to ensure food quality and safety.

Risk Category	Risk Factors	Mitigation Measures
Occupational Health and Safety Risk	Food processing activities involve potential hazards such as cuts, burns, and slips. Such incidents may not only harm employees but also disrupt operations.	We conduct regular hazard identification and comprehensive safety inspections, provide various types of personal protective equipment (PPE) based on job requirements. Install exhaust system and absorb oil fume in ingredient processing facility to mitigate healthy threats to operators.
Supply Chain Risk	Inconsistent supplier management capabilities may lead to quality, environmental, or food safety incidents, potentially disrupting supply and damaging our reputation.	We have implemented the Supplier Quality Management System, requiring compliance audits for supplier onboarding. Long-term contracts and diversified sourcing from multiple regions improve supply chain stability.
Food Waste Risk	Over-ordering by customers or improper inventory management may lead to food waste, adding pressure on resource usage and environmental burden.	We have developed a Bill of Materials (BOM) system and adopted a "production based on sales" strategy. We strictly control the inventory cycle for food materials and prepare materials according to actual production plans. We promote "small portions" in stores to encourage customers to reduce waste.
Climate and Natural Disaster Risk	Climate change may increase the probability of extreme weather events such as heavy rain and typhoons, which can affect logistics and passenger flow, leading to temporary closure of stores or supply chain disruptions.	We have disaster monitoring and early warning mechanisms and maintain agreements with multiple suppliers across regions to mitigate risks caused by localized climate events.
Environmental Pollution Risk	Untreated kitchen wastewater or improperly disposed solid waste, including food scraps and packaging, may result in environmental pollution.	We comply with environmental laws and obtain proper discharge permits. We have established waste management systems to ensure pollutants are properly treated and discharged in compliance with standards.
Customer Rights Risk	Misleading product promotions or lack of data protection in online services may damage customer rights and lead to reputational risks.	We use standardized and legally compliant promotional language and collect only necessary personal data with user consent. Regular cybersecurity inspections are conducted to identify and resolve vulnerabilities.
Business Ethics Risk	Misconduct by employees or suppliers may harm our commercial interests or brand reputation.	We have put in place supervisory and audit policies, including whistleblower channels and case-by-case investigation protocols. Codes of conduct and anti-bribery training are regularly implemented to uphold corporate integrity.

Environmental Responsibility

We recognize the importance of environmental protection and comply with the Environmental Protection Law of the People's Republic of China and other applicable laws and regulations. We actively uphold the concept of sustainable development and strive to minimize our environmental impact through concrete actions, with the goal of becoming an environmentally friendly enterprise.

Environmental Management

We place great emphasis on environmental protection and have formulated and implemented a series of environmental management policies based on our business characteristics. We are committed to continuously improving our environmental management system and enhancing our performance in resource conservation and emissions reduction. We have integrated environmental protection concepts into various aspects of our daily operations.

According to our PRC Legal Adviser, (i) during the Track Record Period, we were not in violation of any national or local environmental laws and regulations that would have had a material adverse impact on our business operations; and (ii) during the Track Record Period, we had not been subject to any material penalties, claims, or legal proceedings in connection with environmental laws or regulations.

Energy Use and Greenhouse Gas Emissions

We comply with the Energy Conservation Law of the People's Republic of China and continuously improve energy efficiency through various initiatives, including optimize energy metering and use. We have adopted effective energy control measures across our supply chain, central kitchens, and restaurant operations to promote energy conservation and emissions reduction.

The energy conservation and emission reduction measures we have implemented mainly include: (i) implementing an energy metering system in central kitchens and stores, and conducting regular inspections and energy efficiency assessments, so as to promptly identify and optimize high energy-consuming equipment or abnormal operating conditions; (ii) encouraging the use of new energy electric vehicles instead of fuel-powered vehicles for transportation, thereby reducing greenhouse gas emissions; (iii) promoting a culture of energy conservation and emission reduction by cultivating employees' awareness of energy conservation and encouraging them to apply various energy-saving measures in their daily work.

The following table sets forth a breakdown of our major energy consumption during the Track Record Period.

	For the year ended December 31,		
	2023	2024	2025
Total Comprehensive Energy Consumption (kilotons of standard coal)	17.0	15.6	17.1
Purchased Electricity (GWh)	85.6	83.8	100.9
Natural Gas Consumption (thousand cubic meters)	4,674.2	3,801.6	3,403.1
Total Greenhouse Gas Emissions (Scope 1 and Scope 2) (kilotons of CO_2 equivalent)	56.8	53.8	62.1
Direct Greenhouse Gas Emissions (Scope 1) (kilotons of CO_2 equivalent)	10.2	8.3	7.5
Indirect Greenhouse Gas Emissions (Scope 2) (kilotons of CO_2 equivalent)	46.6	45.5	54.6
Total Comprehensive Energy Consumption per Unit of Output Value (tons of standard coal/RMB million revenue)	8.1	6.8	6.0
Greenhouse Gas Emission Intensity (tons of CO_2e/RMB million revenue)	26.9	23.3	21.8

Notes:

(1) The data above covers our headquarters office center, production facilities, central kitchens, and restaurants.

(2) With reference to the "Announcement on the 2022 Power Grid CO_2 Emission Factors" issued by the Ministry of Ecology and Environment of China in 2024, we adopt the national grid average emission factor of 0.5366 $kgCO_2/kWh$.

According to the Corporate Value Chain (Scope 3) Accounting and Reporting Standard of the Greenhouse Gas Protocol, we are also subject to "Scope 3 — Other Indirect Greenhouse Gas Emissions" arising from activities such as business travel, employee commuting, upstream and downstream transportation and distribution. These emissions result from upstream and downstream value chain activities that are controlled by other operating entities. In the future, we plan to gradually establish corresponding statistical mechanisms based on categories such as business travel, upstream and downstream transportation and distribution.

Water Resource Management

We attach great importance to water resource management, abide by relevant laws and regulations, actively measure and analyze water resource use, take a series of measures to improve water resource utilization efficiency. During the track record period, our water resource consumption is set out in the table below:

	For the year ended December 31,		
	2023	2024	2025
Total Water Consumption (thousand cubic meters)	1,423.3	1,465.8	1,370.35
Water Intensity (cubic meters/RMB million revenue)	674.0	635.3	481.4

Note: The data above covers our headquarters office center, production facilities, central kitchen, and restaurants.

Packaging Material Usage

Due to the nature of our business, our use of packaging materials and tableware mainly arises from the handling and distribution of ingredients (from our production facilities and central kitchens to our restaurants), as well as from meal service within our restaurants. In terms of packaging material management, we adhere to the concepts of environmental friendliness and circular economy, strictly regulate the selection process of packaging materials, reduce unnecessary packaging at source and strive to enhance the recycling rate of packaging materials.

- In the ingredient handling and distribution, we primarily use vacuum packaging bags, foam boxes, and cartons to package pre-processed and handled soup base products and food ingredients for daily distribution to our restaurants via our cold chain delivery system. In 2023, 2024 and 2025, the amount of packaging materials used per ton of product in our central kitchen and ingredient processing facility was 23.5 kilograms, 26.7 kilograms, and 27.6 kilograms, respectively. We recycle some of our packaging materials to reduce our environmental impact. For instance, we currently recycle over 61,000 noodle plates, and more than 16,000 turnover boxes and thermal insulated boxes every day.

- In meal service, we prioritize using biodegradable and recyclable tableware and packaging materials. The Polylactic Acid (PLA) straws, wheat straws, diagonal paper cups, and kraft paper cups that we provide to our customers are all made of biodegradable materials. We do not actively provide wooden disposable chopsticks to customers. When customers request to pack the remaining meals, we provide eco-friendly packaging materials, such as kraft paper boxes, biodegradable plastic bags, and PET bottles, at all our restaurants. During the Track Record Period, 100% of the materials used for food and beverage consumables and packaging in our restaurants were biodegradable or recyclable.

We actively promote the concept of the circular economy, prioritizing tableware and packaging materials that are easily recyclable and reclaimable with green designs. To support plastic reduction and the circular economy further, we plan to reduce packaging material use by 10% per ton of products in our central kitchen and ingredient processing facility between 2024 and 2028. To achieve this goal, we will take the following initiatives: (i) reduce the number of layers or the thickness of packaging materials by optimizing product packaging design and transportation solutions; (ii) use reusable and recyclable packaging materials whenever possible; (iii) increase the recycling rate of meal trays, warming containers, and other logistics through reverse logistics and other means.

Pollutant and Waste Management

During the course of operations at our restaurants, central kitchens and other parts of our business, we generate and manage wastewater, air emissions, solid waste, and hazardous waste. We comply with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, the Measures for the Environmental Administration of Waste Hazardous Chemicals, the Integrated Emission Standard of Air Pollutants, the Integrated Wastewater Discharge Standard, and other relevant regulations.

To standardize the management of pollutants and waste, we have implemented internal policies such as the Laboratory Waste Management Policy and Hazardous Waste Temporary Storage Policy, to ensure effective oversight over the disposal and discharge of pollutants and waste. We take proactive measures to monitor and treat emissions, wastewater, and solid waste, and ensure that all pollutant concentrations and discharge volumes comply with regulatory requirements.

To minimize waste generation, we have implemented the following initiatives: (i) implementing a production-based-on-sales strategy at the procurement stage. Before signing contracts with suppliers, we forecast demand and evaluate order quantities. For food materials, we typically order a quantity of less than half of what is consumed during the procurement cycle to prevent waste caused by over-purchasing; (ii) using a Bill of Materials (BOM) system to manage inventory. This system records the ingredients, premium materials and packaging supplies involved in production. Precise inventory control and standardized operational procedures allow us to effectively manage costs and reduce waste generation; and (iii) at our restaurants, dedicated personnel document daily ingredient waste and enter the data into a waste management system. The ingredient waste indicator is linked to the performance appraisal of restaurants personnel. Restaurants with abnormal losses must formulate improvement plans and implement them.

In terms of pollutant management, we strictly adhere to environmental impact assessments before constructing our central kitchen and ingredient processing facility. Based on the assessment reports, we implement various ecological protection and pollution prevention measures to ensure that pollutants are discharged in compliance with relevant standards. Our central kitchen and ingredient processing facility are equipped with oil smoke purifiers, bag filters, in-plant sewage treatment devices, grease traps for pretreatment, and in-plant biochemical tanks. The oil smoke is uniformly collected and treated by the oil smoke purifier, and the emission concentration meets the limit value requirements of "Emission Standard for Cooking Fumes in the Catering Industry (Trial)" (GB 18483-2001). The production and living wastewater is treated by the grease trap and then discharged into the biochemical pond for further treatment, ensuring that it meets comprehensive discharge standards before entering the municipal pipeline network. Regarding our restaurants, we have developed a unified store design manual that lists clear requirements and control parameters for kitchen fumes, ventilation, and other facilities. Each restaurant is required to design the grease pipe in strict accordance with relevant specifications and install grease purifiers with UV photolysis odor purification. These purifiers must have a purification efficiency of at least 95% to ensure that the grease smoke meets the limit values of the "Emission Standard for Cooking Fumes in the Catering Industry (Trial)" (GB 18483-2001) after treatment.

- Air Emissions Management. Our air emissions primarily originate from ingredient processing facility. We manage emissions by installing adsorption systems in rooftop ventilation systems to ensure compliance with emission standards.

- Wastewater Management. Our wastewater mainly are domestic sewage, which is directed to sewage treatment facilities for purification before discharge to ensure compliant wastewater management.

- General Solid Waste Management. General solid waste primarily consists of vegetable trimmings and other organic waste, which is collected and handled by certified third-party service providers.

- Hazardous Waste Management. Our hazardous waste mainly includes which are used for food safety testing such as diethyl ether and chloroform. To ensure safe and compliant disposal, we have formulated management policies and adopted strict measures such as prohibiting incompatible materials from being stored together, assigning dedicated managers, keeping detailed disposal records, and limiting reagent quantities during use.

- Kitchen Waste. We strictly abide by the government regulations on the kitchen waste and enter into agreements with third-party service providers who possesses necessary qualifications and licenses for kitchen waste. We have established the "Management Requirements for Waste Swill Business", and each restaurant designates a responsible person to collect kitchen waste grease and place it into standardized sealed collection containers. We ensure proper classification, collection, storage, handover, and multi-copy form management. We require kitchen waste suppliers to provide a multi-copy records of kitchen waste grease collection and transportation, and we ensure that the collected kitchen waste grease is handed over to qualified chemical companies such as biodiesel producers for resource utilization after processing.

We attach great importance to the issue of food waste and kitchen waste in the catering industry. In 2024, we participated in developing the group standard, "Guidelines on Food Waste Reduction in the Catering Industry (餐飲業減少食物浪費實施指南)", advocating for food conservation and waste reduction within the industry. During the Track Record Period, we required all restaurants to enter into agreements with qualified food waste treatment companies for collection and transportation services. In 2023, 2024 and 2025, the average amount of used cooking oils generated by each of our restaurants was 9.7 tons, 9.1 tons and 12.4 tons, respectively. In 2023, 2024 and 2025, the amount of kitchen waste in our central kitchen and ingredient processing facility was 789.0 tons, 983.5 tons and 1,158.0 tons, respectively, all of which was handed over to licensed food waste treatment companies for proper disposal.

We have set a kitchen waste management target of maintaining a 100% disposal rate for used cooking oils from 2024 to 2028. In order to achieve this target, we will: (i) continue to improve the process of disposing of kitchen waste grease and oil, ensuring that all restaurants are equipped with oil-water separation facilities and that waste grease and oil are collected, stored and disposed of in a standardized manner; (ii) assess the timeliness and compliance of kitchen waste grease and oil disposal in our restaurants and frequently conduct ad-hoc inspections; and (iii) inspect the final disposal practices of our kitchen waste treatment service providers to prevent any illegal disposal of kitchen waste grease and oil.

Environmental Targets and Performance

We have identified key environmental performance indicators related to the business and will continue to track and review the implementation of the goals.

- Our energy and greenhouse gas emission management targets are as follows: we plan to reduce our total comprehensive energy consumption per unit of output value by 8% and our greenhouse gas emission intensity by 8% by 2028. Between 2023 and 2025, both our total comprehensive energy consumption per unit of output value (tons of standard coal per RMB million of revenue) and greenhouse gas emission intensity (tons of CO_2e per RMB million of revenue) showed a downward trend. With further optimization of our energy structure and enhancement of our energy and resource management capabilities, we expect to achieve these targets.

- We have also set water management target that aims to reduce our water intensity (cubic meters per RMB million revenue) by 8% by 2028. We will continue to upgrade equipment, adopt water-saving technologies, and optimize production processes to reduce our water intensity.

Although ESG indicators may be affected by business structures, data statistics, and other factors, our total comprehensive energy consumption per unit of output value, purchased electricity per unit of output value, greenhouse gas emission intensity and water intensity are generally at a similar level to those of our major peers.

Climate Change Response

Climate change may pose physical, transitional, policy, and legal risks to our operations and financial performance in the short, medium, and long term. We identify and respond to climate-related risks and opportunities and have taken proactive measures to strengthen our resilience to such risks.

Climate-Related Risks and Opportunities		Potential Impact	Mitigation Measures
Physical Risks	Acute risks: extreme weather conditions such as typhoons, floods, cold waves, strong winds, etc; Chronic risks: rising average temperatures, rising sea levels, etc.	Extreme weather can have an impact on the flow of people, delivery services and food supply to our stores, as well as our store assets, leading to operational disruptions and wastage of ingredients and rising costs. Meanwhile, climate anomalies may lead to lower than expected production of specific ingredients or increase costs.	Develop prevention and response measures for extreme events, sign long-term agreements for key ingredients. At the same time, we cooperate with supplier from multiple regions to avoid the risk of supply interruption caused by single regional disasters, carry out dynamic inventory management, use big data to predict demand fluctuations, and flexibly adjust dishes according to resource supply situation.

Climate-Related Risks and Opportunities		Potential Impact	Mitigation Measures
Transition Risks	Carbon emissions and environmental regulations and standards gradually strict will drive catering enterprises to reduce energy consumption, control GHG emissions.	Purchasing new energy-saving equipment and developing new low-carbon technologies will lead to increased operating costs.	Actively optimize the energy management system, strengthen employees' awareness of energy conservation, implement environmental protection measures in stores, and reduce unnecessary water and electricity consumption.
	With the increasing awareness of environmental protection, consumers will pay more attention to wellness, nature, environmental protection and other environmentally friendly attributes in food selection.	Consumer demand for green products continues to grow, failing to meet consumer expectations may lead to a decrease in market share.	Actively implement the principle of sustainability in food packaging and raw material procurement, and provide environmentally friendly products. Pay attention to the transformation of consumers' sustainable concepts and accurately position their sustainable consumption needs through market research.
	With the increasing attention of stakeholder to climate change, the expectations of enterprises in climate change practice, information disclosure and stakeholder communication continue to increase.	Failure to effectively manage and respond to climate issues of concern to stakeholder in a timely manner may affect brand image and customer trust.	Continuously strengthen the identification and management of climate risk, plan and implement response plans for mitigation climate risk, communicate and exchange with stakeholder.
Opportunities – Resource Efficiency . .	The company improves its management efficiency in energy, water resources, and other aspects, reduces operating costs, and enhances its competitiveness.	Efficient resource management will reduce operating costs and increase operating income for the company.	By formulating policies and optimizing technology, efficient resource management can be achieved, thereby reducing costs.

Social Responsibility

We have always believed that the healthy and sustainable development of a company is inextricably linked to its integrity, and that it is the result of the company working hand in hand with its employees, cooperating with its business partners, and sharing its strengths with the community. Therefore, we integrate social responsibility into our business operations, actively promote and practice the concept of sustainability, and strive to create value with our stakeholders.

Occupational Health and Safety

We place strong emphasis on the occupational health and safety of our employees and are committed to providing them with a safe and comfortable working environment. We comply with the Work Safety Law of the People's Republic of China, the Law on Prevention and Control of

Occupational Diseases of the People's Republic of China, and other applicable laws and regulations. Internally, we have established occupational safety management systems to identify potential safety risks in work processes and implement preventive measures through standardized operating procedures, installation of safety facilities, and provision of personal protective equipment to prevent workplace injuries.

We have embedded safety management into our daily operations. We conduct regular inspections of fire extinguishers and hydrants and cooperate with qualified fire protection service providers to maintain and inspect fire alarm and suppression systems and other fire safety equipment, ensuring their effectiveness and perform regular safety checks during both regular and holiday periods.

We attach great importance to education and training on safe operating procedures and skills. The safety training we provide mainly includes: (i) promoting safety knowledge in the workplace through posters, banners and other materials; (ii) conducting safety training for new employees to explain common workplace safety risks and corresponding countermeasures; (iii) developing emergency response plans and regularly conducting safety drills, including firefighting, evacuation, first aid and other exercises, to enhance employees' emergency response capabilities.

During the Track Record Period, we have not experienced any major safety incidents or work-related fatalities.

Labor Rights Protection

We comply with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, and other laws and regulations that protect labor rights. We maintain a well-defined internal recruitment system, ensure fairness and transparency throughout the hiring process, and provide equal opportunities regardless of nationality, race, cultural background, age, or gender. We firmly oppose and prohibit all forms of discrimination and are committed to building a diverse workforce.

We strictly prohibit the use of child labor or forced labor in our operations. During the recruitment process, we require applicants to provide valid identity documents to verify their age and other information, and establish personnel contract files to ensure that individuals below the legal working age are not employed. If any illegal employment involving child labor is discovered, we will immediately report it to the relevant authorities and terminate the employment relationship with individuals involved, and conduct a review and rectification of the internal management processes.

We value employee feedback and have established multiple communication channels to collect employee complaints and suggestions. Since the launch of these channels, we have received feedback covering topics such as business ethics, customer service, employee rights, and supply chain management. We promptly investigate the reported issues, follow up with appropriate actions, and maintain records of the handling process and outcomes. Employees dissatisfied with the outcome may submit an appeal and dedicated personnel will provide them with ongoing support and assistance to ensure the appeal is properly resolved.

We continue to improve and strengthen the employee assistance mechanism. On April 21, 2011, we established the "Banu Love Mutual Aid Fund" to provide compassionate support to employees facing difficulties due to illness, sudden emergencies and other unforeseen circumstances. As of the Latest Practicable Date, the "Banu Love Mutual Aid Fund" has provided assistance to a total of 164 employees and families in need.

A breakdown of our total number of employees and their composition by category is set out in the table below.

	For the year ended December 31,		
	2023	2024	2025
Full-time Employees	1,604	1,735	2,106
Male employees	961	1,041	1,315
Female employees	643	694	791
Senior management personnel	10	7	7
Middle management personnel	235	276	309
General employees	1,359	1,452	1,790
Ethnic minority employees	7	9	25
Employees with disabilities	8	13	24
Part-time Employees	1,111	2,664	4,127

Talent Cultivation and Growth

We provide abundant learning resources to support our employees' career development and professional growth. We have established a systematic and process-oriented training system, offering courses in operational standards, mindset development, and company culture to help employees quickly adapt to work rhythms and job responsibilities.

We offer tailored training programs based on employee roles and development stages. These programs aim to enhance employees' professional competencies, strengthen their knowledge base, and support stable restaurant operations and brand growth.

Promotion and Career Development

We are committed to a fair and transparent promotion policy, aiming to provide employees with clear and accessible career advancement pathways and to foster shared growth between our staff and us. We have established a well-defined job grading system that allows employees to choose suitable career development tracks based on business needs and individual strengths.

We have also implemented a comprehensive performance appraisal system. Performance evaluations are conducted on a monthly basis and cover multiple dimensions, including business performance, organizational management, and operational compliance. We regularly track and analyze employees' goal completion status to ensure the effectiveness of performance management.

Food Safety and Quality

We place strict controls on food safety and emphasize natural, healthy, and delicious ingredients. We follow the principle of "use chilled rather than frozen, use same-day rather than overnight, and use natural rather than synthetic ingredients," and continue to reduce the proportion of frozen food procurement. During procurement, we require that product formulations must not contain prohibited substances, particularly Chinese herbal ingredients, novel food ingredients, and Non-food additive materials.

We have developed the Supply Chain Food Safety Assessment Checklist and conduct supplier/product static risk assessments for each product to be supplied; for products with specific origin and variety requirements or seasonal centralized purchasing, suppliers are required to comply with our food safety standards and quality critical point control measures to ensure food safety and quality.

See "— Food Safety and Quality Control."

Responsible Supply Chain

Given the characteristics of our business, the quality of supply of food ingredients and the efficiency of supply are essential to our operations. We are committed to continuously strengthening supply chain management and establishing a healthy, safe and efficient supply chain to achieve sustainable business development.

Our suppliers include providers of food and ingredients as well as non-food materials. We have established long-term and stable partnerships with our major suppliers, supported by a comprehensive supply chain management system and the implementation of our supplier quality management requirements. Suppliers are required to submit product samples for testing as part of the onboarding process, and must provide supporting certification materials demonstrating compliance. They are also required to submit valid business licenses and relevant qualifications to ensure that their operations fall within permitted scopes. The information on their business licenses must be consistent with other submitted documents, with no evidence of expiration or fraud. In addition, suppliers must provide product performance testing reports and must not have been involved in any material misconduct, including violations of laws or regulations, dishonest practices, or food safety incidents, within the past two years. For suppliers engaged in food processing or in the slaughtering and processing of livestock, poultry, and aquatic products, we conduct risk-based on-site audits. Suppliers who fail to pass such audits are disqualified from entering our supplier system.

We inspect and evaluate suppliers mainly through surprise inspections and special audits. Surprise inspections are scheduled based on the risk levels of products and suppliers' historical performance, while special audits respond to quality issues, abnormal conditions in use or industry risks. All suppliers of high-risk and medium-risk products are subject to annual reviews, while all suppliers of low-risk products are reviewed on a two-year basis.

Supporting Rural Revitalization

In response to the national rural revitalization strategy, we collaborate with local governments and farmers to develop a new agricultural industry model. We establish demonstration bases for various specialty agricultural products and improve our supply chain system. Through these efforts, we contribute to the high-quality development of local specialty agriculture.

We formed a dedicated "Agricultural Support" project team to provide guidance. Our procurement and supply chain departments identify qualified agricultural products and coordinate with local governments to promote direct sourcing and customized farming.

As of the Latest Practicable Date, we had nine rural revitalization demonstration bases with 6,708 mu (approximately 4.5 million square meters) of contracted farmland, covering over 3,287 farming households, and 100 designated livestock farms under signed agreements. These initiatives enhance supply chain resilience while driving local income and agricultural modernization.

Our rural revitalization demonstration bases include:

- Xinxiang, Henan — Native Spinach Project: 360 mu of planting base involving 60 households;
- Pu'er, Yunnan — Bamboo Shoot Project: 350 mu of planting base involving 120 households;
- Yibin, Sichuan — Panda Bamboo Shoot Project: 1,000 mu of planting base involving 1,120 households;
- Shizhu, Chongqing — Red Chili Project: 3,000 mu of planting base involving over 1,200 households;
- Xilin Gol League, Inner Mongolia — Ujumqin Sheep Project: more than 100 contracted livestock farms;

- Wuchang, Heilongjiang Wuchang Rice Project: 500 mu of planting base involving 132 households;

- Maoxian, Sichuan — Sichuan pepper project: 658 mu of planting base involving 73 households; and

- Xundian, Yunnan — Wild mushrooms project: a designated facility for rural revitalization of the "Wild Mushrooms" industry assistance.

- Shangri-La, Yunnan — "Yunnan Vegetables Out of Yunnan" rural revitalization industry base: 480 mu of planting base involving 482 households.

Public Welfare and Social Contributions

We believe that business success must be grounded in integrity and responsibility. We actively participate in charitable efforts, disaster relief, and support for disadvantaged groups, integrating social responsibility into our business operations. In 2023, 2024 and 2025, our total donations amounted to RMB2.5 million. The public welfare and charitable projects we support mainly include:

- "Lark Project" for Hearing-Impaired Children. Initiated by our founder Mr. Du, this program provides hearing aids, cochlear implant surgeries, and therapy for children aged 0-14. Our employee volunteers participate in caring activities with children and families, offering both companionship and support.

- "Banu Internal Charity — Sunshine from the Heart". This internal charity program originated from our mission of building "a great hotpot brand and a great learning institution." In September 2024, a charity bazaar was added to this program, with proceeds donated to the "Lark" fund under the Henan Welfare Foundation.

- Disaster Relief. In January 2025, we donated RMB1.0 million in funds and goods to the China Foundation for Rural Development for the 6.8 magnitude earthquake in Dingri County, Xigazê, Tibet. In December 2023, we donated goods worth RMB1.0 million to earthquake relief in Jishishan County, Gansu. In July 2021, we donated RMB5.0 million to the Red Cross Society of Zhengzhou for flood relief efforts.

Integrity and Anti-Corruption

We comply with the Anti-Unfair Competition Law of the People's Republic of China, the Company Law of the People's Republic of China, and other relevant laws and regulations, and are committed to combating unethical business conduct.

We firmly oppose corruption, bribery, and kickbacks, and uphold high standards of integrity across all operations. Our employee code of conduct sets out clear ethical requirements, including prohibitions on giving or accepting bribes, kickbacks, or engaging in improper transactions. Specific guidelines are in place governing the acceptance of gifts and the provision of client entertainment, and all employees signed an Integrity and Self-Discipline Commitment Letter.

We have established multiple anonymous reporting channels, including Weixin, telephone, email, and in-person reporting, and encourage employees, suppliers, and customers to report suspected misconduct. Whistleblowers are protected from retaliation. Employees who experience unfair or non-compliant behavior are encouraged to escalate through the following structured process:

- If the reported content involves daily management matters' employees should first report issues to their department or team leader or responsible manager.

- Where employees' issues remain unresolved by their respective center/department/process group heads or responsible management, or where there is disagreement with the resolution, they may file internal complaints.

- If employees disagree with the results of an internal investigation, they may appeal to our audit management team, which will conduct a review and follow-up on the investigation findings.

For supply chain operations, we have established anti-corruption management systems with corresponding penalty clauses for corruption incidents, management accountability, and supervisory accountability. We conduct annual anti-corruption training and integrity promotion activities for suppliers to jointly foster a clean and ethical business environment. For internal employees, we have implemented systems such as the Values Red Line, Management Code of Conduct for Cadres, and Integrity Self-Discipline Commitment Letter. For suppliers, we include anti-corruption clauses in contracts and require all suppliers to sign the Clean Cooperation Commitment. Additionally, we have established dedicated internal supervision departments or roles to conduct daily supervision of business activities and ensure employees compliance with the Company's anti-corruption policies and systems.

COMPETITION

China's hotpot market is relatively fragmented while highly competitive. According to Frost & Sullivan, the aggregate market share of top five hotpot brands was approximately 7.9% in terms of revenue in 2025. As leading brands continue to scale up their operations, strengthen their supply chain integration capabilities and enhance their brand influence, China's hotpot industry is witnessing a steady trend toward higher market concentration. According to Frost & Sullivan, China's premium hotpot market is also fragmented, where the aggregate market share of top five premium hotpot brands was approximately 9.1% in terms of revenue in 2025.

Our major competitors include national large-scale chain brands and regional brands with strong influence in specific areas. According to Frost & Sullivan, we were the second largest brand in China's hotpot market in terms of revenue in 2025 with a market share of approximately 0.4% and the largest brand in China's premium hotpot market in terms of revenue in 2024 with a market share of approximately 3.1%. Built on our clear brand positioning, consistent product and service quality and efficient supply chain system, we continue to increase our market share and brand influence to maintain our competitive edge in the fiercely competitive market. See "Industry Overview."

OUR EMPLOYEES

As of December 31, 2023, 2024 and 2025, we had 1,604, 1,735 and 2,106 full-time employees, all based in China. The following table sets forth our full-time employees by function as of December 31, 2025.

Function	Number of Full-time Employees	Percentage
Restaurant operation	1,611	76.5
General administration	316	15.0
Supply chain	179	8.5
Total	**2,106**	**100.0**

We may from time to time engage third-party human resource companies to supplement our workforce and allow for flexible allocation of personnel across different restaurants. We typically enter into one-year agreements with such human resource companies and require them to pay the salaries and the relevant insurances for the outsourced workers engaged by us. As of December 31, 2025, we had a total of 4,127 part-time employees and 6,499 outsourced workers who were engaged primarily as our restaurant staff. During the Track Record Period and up to the Latest Practicable Date, we had not identified any material non-compliance by third-party service providers in fulfilling their contractual obligations, nor were there any disqualifications or terminations of cooperation due to violations of applicable laws or regulations. As advised by the our PRC Legal Adviser, we had complied with all the relevant laws and regulations with regard to our employees, part-time employees and outsourced worker during the Track Record Period in all material respects.

During the Track Record Period, we collaborated with two human resource companies in the PRC. The following sets forth the salient terms of our contracts with third-party human resource companies.

Duration	The contracts typically last for one year with renewal clauses subject to mutual consent.
Payment	We typically make monthly payment to human resource companies through bank transfer.
Scope of service	The contracts set forth the scope of service of the outsourced workers. Human resource companies are responsible for full payment for the salaries and social insurance contributions of the outsourced workers as well as for any employment-related liabilities.
Termination	The contracts can be terminated by mutual consent of both parties or unilaterally by us upon material breach of human resource companies.
Confidentiality	Human resource companies are obligated to maintain the confidentiality of our cooperation and any confidential materials from us.
Anti-corruption	We stipulate the anti-corruption responsibility and include our detailed Clean Cooperation Commitment in the contracts.

To the best of our knowledge, there are no past or present relationships (including but not limited to familial, employment, business, trust, financing, or other forms of relationships) between any of the human resources companies and us, our subsidiaries, Shareholders, Directors, senior management, or any of our respective associates.

Recruitment, Retention, and Compensation

We recruit employees through public recruitment channels and internal referrals. The restaurant general managers and our human resource department are responsible for the recruitment of employees at restaurants. Our recruitment process typically includes interviews and assessments of candidates' qualifications, experience, and fitness to jobs they applied to. We are committed to providing fair and equal employment opportunities in all aspects and have established multiple internal policies and procedures to ensure the transparency and fairness of our recruitment, selection, and promotion systems.

As required by the applicable PRC laws and regulations, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds. During the Track Record Period and up to the Latest Practicable Date, we did not experience any major labor disputes or strikes that had a material adverse impact on our business, financial condition, or operating performance. Save as disclosed in this Document, our PRC Legal Adviser believes that we had complied with applicable PRC labor laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Training and Evaluation

We provide training to management, administrative personnel and employees at restaurants. We have developed and implemented comprehensive online and offline training programs for all employees, such as onboarding training, job-specific skill training, food safety training, and management ability enhancement. We maintain detailed training and performance evaluation records for each employee to encourage their active participation in various training programs, thereby further improving the overall operational standardization and work efficiency. We believe that a systematic training system not only helps to improve employee retention rates but also provides a solid talent pool to support our future continuous expansion.

Social Insurance and Housing Provident Fund

Background

Pursuant to applicable PRC laws and regulations, we are required to make contributions to social insurance and housing provident fund schemes for our employees in China. During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions for certain employees in accordance with such requirements. The shortfall in social insurance and housing provident fund contributions amounted to approximately RMB1.2 million, RMB0.7 million and RMB0.8 million in 2023, 2024 and 2025, respectively.

Such shortfalls primarily resulted from (i) the large and highly mobile nature of our workforce, which is common in the catering industry in China, (ii) certain employees being unwilling to contribute their portion of the payments, which would otherwise reduce their take-home pay, and (iii) certain employees prefer participation in the rural social security contribution plans in their residential places or their hometowns.

Potential Legal Consequences

According to our PRC Legal Adviser, under PRC law, (i) failure to make social insurance contributions within the statutory time limit may subject us to late payment surcharges at a rate of 0.05% per day and, if not remedied within the prescribed period, fines of one to three times the amount in arrears; and (ii) in respect of shortfalls in housing provident fund contributions, the competent authorities may order us to make up such contributions within a specified period, and may apply to a court for enforcement if we fail to comply.

As of the Latest Practicable Date, we had not been subject to any administrative penalties in relation to insufficient contributions to social insurance or housing provident fund for our employees. We had not received any material complaints or reports from employees regarding such contributions, nor had we received any notices from relevant authorities requiring us to make supplementary contributions, conduct investigations, or accept penalties.

In addition, according to the Urgent Notice on Proper Implementation of Stabilization Measures for the Collection of Social Insurance Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued by the Ministry of Human Resources and Social Security on September 21, 2018, administrative authorities are prohibited from organizing or initiating retrospective bulk collection of social insurance shortfalls without proper authorization.

Our PRC Legal Adviser has advised us that the likelihood that our PRC entities would be subject to retrospective collection of unpaid contributions or administrative penalties initiated by the competent authorities in respect of such historical shortfalls is remote, based on: (i) the fact that as of the Latest Practicable Date, none of our PRC entities had been subject to administrative penalties due to insufficient contributions to social insurance or housing provident funds, nor had they received any complaints from employees or any investigation, rectification, or payment notices from the competent authorities, (ii) the written confirmation issued by the competent social insurance and housing provident fund authorities, and (iii) the interviews with the competent local authorities. We undertake to make timely payments for the deficient amount and overdue charges as soon as requested by the competent governmental authorities.

Remedial Measures

We have adopted and plan to continue to adopt a range of internal control measures to improve compliance with social insurance and housing provident fund contribution requirements, including:

- Providing training to our human resources personnel on relevant legal obligations;

- Keeping abreast of regulatory developments in social security and housing fund policies.

In light of (i) the absence of any material disputes with employees regarding social insurance or housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date; (ii) the absence of any material administrative penalties imposed on us in this regard during the Track Record Period and up to the Latest Practicable Date; (iii) the fact that we have not received any notices from PRC authorities requiring us to make up shortfalls or pay fines during the Track Record Period and up to the Latest Practicable Date; and (iv) the lack of any disagreements with the relevant authorities during the Track Record Period and up to the Latest Practicable Date, our Directors are of the view that the historical non-compliance is unlikely to have, and will not have, a material adverse effect on our business, financial position, or compliance status. Having considered the above, our Directors are of the view that the historical non-compliance related to social insurance and housing provident fund contributions did not constitute a material or systemic issue pursuant to Chapter 1.2D of the Listing Guide, nor did it impugn the Directors' suitability under Rules 3.08 and 3.09 of the Listing Rules, based on (i) the immaterial impact to the overall financial performance of our Company due to such shortfalls during the Track Record Period, (ii) the absence of administrative penalties, or enforcement actions by competent authorities, (iii) the remote likelihood of retrospective collections or penalties as advised by our PRC Legal Adviser, and (iv) the Directors' commitment to strengthening internal controls to ensure future compliance. Nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' view.

Internal Control Measures Adopted

To prevent recurrence of similar incidents related to social insurance and housing provident fund contributions, we have taken the following remedial actions:

- Established and fully implemented internal policies and procedures on social insurance and housing provident fund management, clearly defining roles, responsibilities, and accountabilities across our Group.

- Enhanced the completeness and clarity of our remuneration management policies to specifically include detailed requirements for social insurance and housing provident fund contributions, ensuring regulatory compliance.

- Implemented routine reconciliation procedures between human resources, payroll systems, and finance departments to proactively identify and promptly rectify any discrepancies in contributions.

- Conducted regular training sessions and internal communications to enhance awareness among employees, especially HR personnel, regarding their obligations under social insurance and housing provident fund regulations.

Our Directors consider that the implemented rectification measures are adequate and effective, as evidenced by the clear delineation of internal responsibilities, the enhancement of the control and compliance environment, and the proactive measures in mitigating risks of recurring contribution shortfalls. Nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' view.

INTELLECTUAL PROPERTY

We rely on a portfolio of intellectual property rights related to our brand, products, services, and operations to protect our proprietary rights, including trademarks, trademark applications, domain name registrations, copyrights, trade secrets, and other relevant rights. As of the Latest Practicable Date, we owned 656 registered trademarks, 42 patents, 43 domain names, and 55 copyrights in China. We also held 36 registered trademarks in overseas jurisdictions outside China.

Protection of intellectual property rights is a critical to our business development. We have established multiple internal control policies to systematically manage and mitigate risks related to our intellectual property rights. Our legal department maintains specialized ledgers for all registered trademarks and patents, regularly updates and records relevant information. Meanwhile, with the assistance from external intellectual property agencies, we continuously monitor whether there is potential infringement on our intellectual property rights. If any infringement is detected, our legal department will assess the specific circumstances and, if necessary, consult with external legal counsels to initiate litigation or take other appropriate actions. Despite the various protective measures we have implemented, we cannot completely eliminate the possibility of unauthorized third-party use of our intellectual property rights. See "Risk Factors — Risks Relating to Our Business and Industry — 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." During the Track Record Period, we did not experience any intellectual property dispute or infringement that had a material and adverse impact on our business operations or financial performance. We will continue to take proactive measures to prevent any infringements and protect our rights and interests.

INSURANCE

We mainly maintain (i) all-risk property insurance for our restaurants to protect our business from certain accidents, natural disasters and other unfortunate events, (ii) public liability insurance covering damages arising out of our business operations for all of our restaurants, including but not limited to claims of food and drink poisoning, (iii) cash insurance covering the loss of cash that may occur on premises or during transportation (including but not limited to theft, robbery and employee misconduct), and (iv) employer's liability insurance covering potential claims arising from work-related injuries or illnesses of our employees. We believe that our insurance coverage is in line with industry practice and standard business practice in China. However, our insurance coverage may not be adequate to cover all losses that may occur. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance policies may not provide adequate coverage for all claims associated with our business operations."

LEGAL PROCEEDINGS

We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material legal, arbitral or administrative proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material and adverse effect on our business, reputation, financial condition or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROLS

Our Board is responsible for overseeing the effectiveness of our risk management and internal control systems. We have established a comprehensive set of internal policies and procedures designed to support our operational and compliance needs. We are committed to continuously enhancing our internal control framework to ensure it remains effective and aligned with applicable legal and regulatory standards.

In preparation for the [**REDACTED**], we engaged an independent internal control consultant to conduct a review of our internal control systems. The review covered key areas including corporate governance, legal and regulatory compliance, sales and procurement, inventory and asset management, financial reporting, information technology, confidentiality and data protection, and human resources management.

Based on the review, the internal control consultant identified certain deficiencies which were neither significant deficiencies nor material weaknesses, primarily relating to areas such as policy standardization, documentation and approval procedures.

We have adopted and will continue to adopt rectification recommendations provided by the consultant, including the establishment and refinement of internal policies, implementation of improved procedures, and clarification of internal control responsibilities. Our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.

PROPERTIES

Our headquarter is located in Beijing. As of the Latest Practicable Date, we owned (i) the land use rights of two parcels in China, with an aggregate site area of approximately 36,352.0 square meters and (ii) four properties with a total gross floor area of 30,479.9 square meters. As of the same date, we also leased 238 properties with a total gross floor area of 134,489.5 square meters from third parties for operating purposes. These properties are primarily utilized for restaurant operations, central kitchens and office spaces. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies Ordinance which require a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of December 31, 2025, none of the properties held or leased by us has a carrying amount of 15% or more of our consolidated total assets.

Owned Properties

As of the Latest Practicable Date, we owned (i) the land use rights of two parcels in China, with an aggregate site area of approximately 36,352.0 square meters and (ii) four properties in the PRC with a total gross floor area of 30,479.9 square meters. The properties are mainly used as production facilities and office spaces. We have obtained the relevant land use right certificates and property ownership certificates for all our owned properties.

Leased Properties

As of the Latest Practicable Date, we leased 238 properties in connection with our operations in the PRC with a total gross floor area of 134,489.5 square meters from third parties, which were used for restaurant operations, central kitchens and office spaces.

Our leased properties were distributed across various contractual lease terms. The following table sets forth our lease profile as of the Latest Practicable Date with reference to the overall contractual lease term.

Lease Term Category	Number of Leased Properties
Less than 1 year	3
1-3 years	10
3-5 years	39
5-8 years	147
8-10 years	33
10-15 years	6
Total	**238**

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

Remaining term	Number of leases
Less than one year	24
One to two years	17
Two to five years	119
Five to eight years	76
Eight to ten years	1
Over ten years	1
Total	**238**

For leases with a remaining term of less than one year, if the premises align with our restaurant network planning, we typically initiate lease renewal negotiations with the lessors when there are approximately six months remaining. This proactive approach helps secure the retention of suitable locations for our restaurants. According to Frost & Sullivan, our lease terms are in line with industry standards.

During the Track Record Period and as of the Latest Practicable Date, the rental model charged by the lessors for our leased properties include (i) fixed rent, where the rental amount remains constant throughout the lease term, (ii) turnover-based rent, which is calculated based on a certain percentage of the restaurant's revenue, and (iii) hybrid models that combine, or apply the higher of, the fixed and turnover-based elements.

The following table sets forth the breakdown of rental models as of the Latest Practicable Date.

Rental Type	Number of Leased Properties
Fixed Rent	71
Turnover-based Rent	12
Fixed plus Turnover Rent	–
Fixed or Turnover (whichever is higher)	155
Total	**238**

Lack of Valid Title Certificates

As of the Latest Practicable Date, lessors of six of our leased properties from third parties in China with an aggregate GFA of approximately 2,805 square meters, representing approximately 2.1% of our total leased GFA, which are all used as restaurants, had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Our PRC Legal Adviser is of the view that we would not be subject to any administrative penalties with respect to these properties arising from such issues, but our leases may be affected if the lessors of the leased properties do not have the requisite rights to lease the relevant properties. However, where a dispute arises on the said leases, or we suffer a loss as a result of the said leases, we have a right to request a reduction in rent or refuse to pay rent or require the lessor to indemnify such losses under the lease agreements. As of the Latest Practicable Date, the remaining lease terms of the leased property with title defects generally ranged between three months to 80 months.

Usage Defect

As of the Latest Practicable Date, the actual use of one of our leased properties from third parties with an aggregate GFA of approximately 1,600.0 square meters, representing approximately 1.2% of our total leased GFA, did not fit into the prescribed scope of usage shown on the relevant ownership certificates. Such leased properties with the prescribed scope of usage for commercial or industrial purposes were used as our restaurants.

In accordance with the relevant provisions of the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), any property whose use is altered in violation of relevant regulations may not be leased, for which any such alteration violating relevant regulations shall be ordered by the construction (real estate) administrative authority of a municipality directly under the Central Government, city or county to make corrections within a prescribed time limit, and if there is no illegal income, a fine of not more than RMB5,000 may be imposed thereon; if there is any illegal income, a fine of one to three times of the illegal income may be imposed thereon, subject to a cap of RMB30,000. Based on the above, our PRC Legal Adviser is of the view that we would not be subject to any administrative penalties, but may not be able to occupy and use such leased properties if the lease was challenged by any interested party or if the lessor was penalized by the competent government authority. As of the Latest Practicable Date, the remaining lease terms of the leased property with usage defect was within 66 months.

Based on our assessment and evaluation on the location value and legal risks of the leased properties with title and usage defects as well as operational performance of the restaurants on such properties, we have formulated the following plans for these properties after the expiry of their respective lease terms:

- For properties with uncontrollable risks or unsatisfactory performance of the corresponding restaurants, we plan not to renew the leases upon expiration and will actively seek compliant, high-quality properties to ensure a smooth transition and optimization of our business operations.

- For properties with significant commercial value, where we plan to continue operating restaurants, we will actively communicate and negotiate with the respective landlords to urge them to provide valid title certificates and other necessary compliance documents to resolve the defects.

- We are also considering negotiating lease terms with the landlords to enhance the contractual provisions, including discussing breach remedies for property defects. This will enable us to secure more favorable terms, ensuring our legal rights are protected and minimizing economic losses arising from property defects.

Non-registration of Lease Agreements

As of the Latest Practicable Date, we had not completed lease registration for substantially all of the properties we leased in China, primarily due to the difficulty of procuring the relevant lessors' cooperation to register their leases. As the registration of a lease agreement requires the cooperation between the lessor and lessee and lessors are typically unwilling to undertake the administrative burden, we were not able to complete the registration of lease agreements mentioned above. We have adopted internal policies that (i) request our employees to proactively coordinate with lessors to complete the registration for all of our lease agreements and (ii) require our employees to complete the registration of lease agreements in instances in which lessors are willing to cooperate in such procedures.

As advised by our PRC Legal Adviser, the risk that the abovementioned property-related issues would have a material adverse effect on our Group's business operations or financial condition is remote, in light of the following: (i) during the Track Record Period and up to the Latest Practicable Date, our Group had not received any complaints, reports, or administrative notices from competent PRC authorities, nor had it been subject to any legal proceedings, arbitration, investigation, or penalties by any such authorities in connection with the lack of valid title certificates or usage defects; (ii) our Group has not been subject to any administrative penalties in relation to the non-registration of lease agreements; (iii) our Group had not received any official notice from competent PRC authorities requiring rectification of the foregoing issues; and (iv) our Group undertakes to rectify the abovementioned non-compliance issues within the prescribed period if so requested by the competent PRC authorities.

In view of the foregoing and based on the advice of our PRC Legal Adviser, our Directors are of the view that the abovementioned issues would not have any material adverse effect on our Group's business operations or financial performance, on the grounds that: (i) to the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, our Group had not received any complaints, reports, or administrative notices from competent authorities in connection with the leasing or usage of the relevant properties, nor had it been involved in any related legal proceedings, arbitrations, investigations, or penalties; (ii) our Group would be able to complete any required rectification within the prescribed period if requested by the competent PRC authorities; and (iii) if relocation becomes necessary, our Group would be able to secure alternative sites on comparable commercial terms and at similar costs, with immaterial relocation expenses.

The revenue contribution of the relevant properties subject to the lack of valid title certificates and usage defects amounted to approximately RMB109.9 million, RMB112.6 million and RMB163.5 million in 2023, 2024 and 2025, respectively, representing approximately 5.2%, 4.9% and 5.7% of our total revenue for the respective periods. In addition, failure to complete lease registration may, under PRC laws, result in a fine ranging from RMB1,000 to RMB10,000 per property. The aggregate maximum penalty that may be imposed on us for the non-registration of our lease agreements, if any, would be approximately RMB1.6 million as of the Latest Practicable Date. The remaining lease terms of such property ranged from approximately one to nine years as of the Latest Practicable Date.

As disclosed in the section headed "— Compliance, Licenses and Permits," as of the Latest Practicable Date, all of our operating restaurants have obtained all requisite licenses, permits and approvals as required under applicable PRC laws and regulations that are material for our operations, and the lack of valid title certificates, the usage defects and the non-registration of lease agreements (collectively, the "Properties Non-compliance") does not have any implications for our fire safety inspection approvals.

In addition, as of the Latest Practicable Date, we had not made any provisions in connection with the Properties Non-compliance. This is because, given the nature of the issues, we do not expect to incur any material liabilities or losses as a result of such non-compliance. As of the Latest Practicable Date, we had not received any administrative penalties, rectification notices, or eviction orders from competent authorities in connection with any of the Properties Non-compliance.

Based on our internal assessment, the likelihood of being required to vacate any of the relevant properties due to the Properties Non-compliance is considered remote. In the unlikely event that relocation becomes necessary, our Group believe that we would be able to identify suitable alternative premises on comparable commercial terms with immaterial relocation costs and minimal disruption to our business operations. Accordingly, we do not expect any material operational or financial impact on our Group in connection with the potential relocation of the relevant properties.

Our Directors are of the view that the lack of valid title certificates, the usage defects and the non-registration of lease agreements, individually or collectively, did not constitute material or systemic issues pursuant to Chapter 1.2D of the Listing Guide, nor would they impugn the Directors' suitability under Rules 3.08 and 3.09 of the Listing Rules, given that (i) no material penalties or complaints had been received during the Track Record Period and up to the Latest Practicable Date, (ii) we have adopted proactive measures and established internal controls to prevent further occurrence of such non-compliances, and (iii) suitable alternative sites on comparable terms are readily available should relocation become necessary. Nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' view.

Internal Control Measures Adopted

To prevent recurrence of similar lease-related incidents, we have implemented and further enhanced the following internal control measures to timely identify and prevent entering into lease agreements with title defects, improper usage or failure to register lease agreements:

- Property Due Diligence Prior to Lease Execution. Regarding the title defects and improper usage non-compliance, before entering into any lease agreement, our legal and compliance teams are required to conduct due diligence on the property title, permitted usage and compliance status. This includes (i) verifying the landlord's ownership certificate or equivalent title documents, (ii) reviewing whether the intended usage of the premises is consistent with the permitted scope under applicable zoning and fire safety regulations, and (iii) checking the property against relevant government registries.

- Lease Registration Procedures. Regarding lease registration non-compliance, we have adopted a standardized workflow under which all executed lease agreements are required to be promptly submitted to the relevant local housing and property authorities for registration. We have implemented internal measures including (i) regular communication and guidance to both internal teams and landlords regarding the importance of lease registration, (ii) periodic tracking and review of registration status through a centralized internal register, and (iii) active follow-ups with landlords to encourage timely completion of the required procedures.

- Periodic Internal Reviews and Risk Assessments. We conduct periodic reviews of all leased properties to confirm (i) continuing validity of property ownership and usage rights, (ii) compliance with registration requirements, and (iii) consistency between actual usage and contractual usage rights. Any discrepancies are required to be reported immediately to senior management.

- Clear Leasing Management Procedures. We have formalized procedures covering lease planning, budgeting of rental expenses, lease approval processes, contract execution and management, and post-execution monitoring. These procedures are documented in our internal leasing manual and are binding on all relevant departments.

- Strengthened Internal Compliance Checks. We have clearly defined the roles and responsibilities of the legal, operations and finance departments in relation to property leasing, usage monitoring and registration processes. The audit department conducts regular spot checks and audits, and reports material findings.

- Training and Accountability. We provide mandatory trainings to our legal, operations and other relevant teams on property title verification, registration procedures and permitted usage compliance. Personnel responsible for breaches of these requirements are subject to disciplinary measures.

Our Directors are of the view that the above internal control measures are adequate and effective, as they clearly address previously identified weaknesses, establish comprehensive controls over lease-related compliance risks, and significantly enhance our ability to detect and prevent potential issues. Nothing has come to the Joint Sponsors' attention that would cause them to disagree with the Directors' view.

AWARDS AND RECOGNITIONS

As a testament to the popular appeal of our brand and the quality of our dining experience, we have received various awards and recognitions. The following table sets forth the major awards and honors we received prior to and during the Track Record Period.

Date	Awards and recognitions	Issuing Authority
September 2024 . .	"Red Eagle Award" Top 100 Influential Catering Brands, 2024	Red Eagle Awards of China's Catering (紅鷹獎)
September 2024 . .	Top 100 Catering Enterprises in China, 2023	China Cuisine Association (中國烹飪協會)
May 2024	Top Ten Happiness Enterprises (Comprehensive)	The Economic Observer (經濟觀察報)
January 2024	2022-2023 Leading Catering Enterprises – Top Ten in Hotpot Sector	China Hospitality Association (中國飯店協會)
2023	Customer Favorable Brand	Meituan (美團)
December 2023 . .	Top 100 Future Unicorn Enterprises in Consumption Industry, 2023	Blue Shark Consume (藍鯊消費)
July 2023	"Hotpot Golden Tripod Awards" – Top 20 Influential Hotpot Brands, 2023	Hotpot Canjian (火鍋餐見)
March 2023.	Outstanding Contribution to Economic and Social Quality Development, 2023	Jinshui District Committee of the CPC (中共金水區委)
December 2022 . .	Top 100 Innovative Catering Enterprises in China – Brand Innovation Award, 2022	China Catering Innovation Conference (中國餐飲創新大會)
November 2020 . .	Model Restaurant for Quality Dining	Beijing Municipal Administration for Market Regulation (北京市場監督管理局)

We believe that these awards and honors not only reflect the excellent quality of our products and services but also enhance our brand recognition and customer loyalty. Going forward, we will continue to maintain high standards, continuously optimize our customer experience, and strive to maintain our market position while acquiring broader recognition.

COMPLIANCE, LICENSES AND PERMITS

In accordance with the PRC Law, we are required to obtain various licenses and regulatory approvals to operate our business, such as the food business license and the Certificate or Opinion for the Fire Safety Inspection of Public Gathering Places before the Use or Commencement of the Business Operations, if required by local authorities (公眾聚集場所投入使用、營業前消防安全檢查合格證/意見書) ("Fire Safety Inspection Approval"). See "Regulatory Overview — Laws and Regulations in Relation to Fire Prevention."

As advised by our PRC Legal Adviser, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material for our operations in the China and such licenses, approvals and permits are valid and effective.

The table below sets forth a summary of the material licenses and regulatory approvals that we have obtained for our business operations as of Latest Practicable Date.

Type of Licenses	Number of Licenses	Issuing Authority	Expiry Dates[(1)]
Food Production License	2	Administration for Market Regulation	November 2026
Food Operation License	214	Administration for Market Regulation	July 12, 2026
Fire Safety Inspection Approvals	190	Fire and rescue department of the local people's government	N/A
Pollution Discharge Permit	3	Department of Ecology and Environment	August 18, 2030
Single-use Prepaid Card Filing	1	Department of Commerce of Henan Province	N/A

Note:

(1) Licenses, approvals and permits due to expire in 2026 are currently undergoing renewal procedures and are expected to be completed before their respective expiration dates. For the avoidance of doubt, the expiry date set out in this column represents the earliest expiry date among this category of licenses.

During the Track Record Period and up to the Latest Practicable Date, all of our restaurants in operation had obtained the necessary food business licenses in accordance with the relevant PRC Law. As of the Latest Practicable Date, neither our PRC Legal Adviser nor we have been informed of any legal impediment in renewing all material licenses, approvals and permits that have expired or are going to expire in 2026.

In 2023, 2024 and 2025, there were 21, 20 and two newly opened Banu restaurants (collectively the "Historical Non-compliant Restaurants"), respectively, that did not obtain the requisite fire safety inspection approvals before operation commencement. Since May 2025 and up to the Latest Practicable Date, all newly opened Banu restaurants had obtained the requisite fire safety inspection approvals before operation commencement. Before obtaining the requisite fire safety inspection approvals, in 2023, 2024 and 2025, the Historical Non-compliant Restaurants generated revenue of approximately RMB113.6 million, RMB61.6 million and RMB11.2 million, representing approximately 5.4%, 2.7% and 0.4% of our total revenue for the respective periods.

For the 43 restaurants that commenced operations before obtaining the requisite fire safety inspection approvals between 2023 and 2025, over 60% obtained such approvals within one month after opening. As of the Latest Practicable Date, we had obtained the requisite fire safety inspection approvals, other requisite licenses and regulatory approvals for the operations of all of our restaurants and such approvals and licenses are valid and effective.

These Non-compliant Restaurants began operations before obtaining the requisite fire safety inspection approvals for the following reasons:

- In respect of 37 Non-compliant Restaurants, the requisite fire safety approvals were not obtained prior to business commencement, primarily because (i) the shopping mall operators failed to obtain such approvals for the entire premises in a timely manner or provided the necessary documentation only at a later stage, or (ii) completing certain prerequisite procedures for submitting fire safety inspection applications took an extended period of time.

- In respect of four Non-compliant Restaurants, as part of our internal business adjustments, we changed the operating entities of these restaurants, which in turn necessitated re-application for the fire safety inspection approvals in accordance with PRC regulatory requirements. As the re-application process could only be initiated after the completion of the relevant entity changes, there was an interim period during which these restaurants continued to operate without obtaining the new fire safety inspection approvals while the re-applications were being processed.

- In respect of two Non-compliant Restaurants, we commenced operations in line with the pre-agreed opening schedules or promotional campaigns arranged with the relevant premise operators, which resulted in the delay in obtaining the requisite fire safety approvals.

Based on the advice of the PRC Legal Adviser, the risk of any follow-up legal or regulatory consequence arising from the above non-compliance incidents is considered remote, based on (i) most of the relevant restaurants obtained the requisite fire safety inspection approvals shortly after commencement of operations, (ii) the delays were primarily caused by administrative, procedural or documentation-related factors that were not within our control, and (iii) we have not been subject to any administrative penalties or enforcement actions in connection with such incidents as of the date of this Document. According to Frost & Sullivan, it is not uncommon for restaurant operators in China to commence operations prior to obtaining the final fire safety inspection approvals, especially when delays are due to administrative or procedural reasons. As advised by our PRC Legal Adviser, the potential maximum penalty for not obtaining the requisite fire safety approvals before operation commenced during the Track Record Period and up to the Latest Practicable Date was RMB15.6 million.

We have taken steps to strengthen our internal control policies and procedures in relation to fire safety compliance.

- We have established a group-wide Fire Safety Management Policy for Restaurants, which clearly defines the responsibilities of each party involved, outlines the operational procedures, and sets out supervision mechanisms for fire safety management. Under the policy, our external affair department is responsible for reviewing and verifying whether the requisite fire safety inspection approval has been duly obtained before each restaurant commences operations. The policy also provides that obtaining the fire safety approval constitutes one of the mandatory steps in our internal approval process for restaurant opening. The policy further explicitly requires that no restaurant shall commence operations prior to obtaining the requisite fire safety inspection approval in accordance with applicable laws and regulations, and that the head of restaurant development procedure team shall oversee compliance with this requirement. Since the adoption of this policy on June 4, 2025, no restaurant has commenced operations prior to obtaining the requisite fire safety inspection approval.

- Each restaurant general manager has been designated as the primary person responsible for fire safety and is accountable for day-to-day fire safety management at the restaurant level.

- Our operation evaluation department conducts comprehensive fire safety inspections of all restaurants once every two months and subsequently issues detailed inspection reports specifying rectification requirements and follow-up actions.

- Our external public relation department carries out spot-check audits on fire safety conditions, identifies potential risks, organizes training sessions, and follows up on rectification progress.

- Each restaurant is required to conduct monthly and quarterly fire safety training. Our external affair and public relation strategy department also facilitates the implementation of regular fire safety training to improve compliance awareness and emergency response capabilities among restaurant-level staff.

- Our development department maintains a detailed project schedule for each new restaurant, with specific milestones to ensure that the fire safety inspection approvals are obtained prior to opening.

- Restaurant openings are subject to a final compliance review, under which our store management must verify and provide evidence that the requisite fire safety inspection approvals have been obtained before the restaurant is allowed to commence operations. Even if a premise operator (e.g. a shopping mall) requests us to conduct pre-opening schedules or promotional campaigns before the fire safety inspection approval is obtained, we require all relevant approvals to be in place prior to opening.

Furthermore, having considered the nature, scale, and rectification status of the above fire safety incidents, our Directors are of the view that these incidents, individually or in aggregate, are neither material nor systemic pursuant to Chapter 1.2D of the Listing Guide, nor do they impugn the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules. Specifically, these incidents (i) were isolated and primarily due to administrative or procedural delays rather than indicators of any systemic deficiencies in our internal controls, (ii) did not materially or adversely affect our business operations, financial condition, or reputation, and (iii) have been fully rectified, with enhanced internal controls implemented to prevent recurrence of similar issues. Based on the advice of the PRC Legal Adviser and the independent due diligence work performed by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' view.

Based on the advice of our PRC Legal Adviser, our Directors are of the view that the current internal control policies and procedures are adequate to prevent the recurrence of similar issues going forward. Based on the advice of the PRC Legal Adviser and the independent due diligence work performed by the Joint Sponsors, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' view.