

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business depends significantly on market recognition of our brands, and any failure to maintain, protect and enhance our brands would limit our ability to expand or retain our consumer base, which would materially and adversely affect our business, financial condition and results of operations.

We primarily operate under our Yuen Kee Dumpling (袁記雲餃) and Yuen Kee Taste (袁記味享) brands. The recognition of our brands among consumers contributes to the growth and success of our business. Accordingly, maintaining, protecting and enhancing the recognition of our brands is critical to our business and market position. Failing that, our brand value and image will be undermined, and our business and results of operations may be materially and adversely affected. While we are expanding our scale and enlarging our geographical coverage, it will become more difficult for us to maintain quality and consistency of products and services, and we cannot assure you that consumers’ trust in our brands will not decline.

Many factors are important to maintaining, protecting and enhancing the recognition of our brands, such as the following:

- maintaining the quality and attractiveness of our products;
- developing, launching or improving products that satisfy our consumers’ needs;
- providing an enjoyable consumer experience;
- increasing brand awareness through marketing and brand promotion activities;
- maintaining good relationships and retaining favorable terms with our franchisees, suppliers, service providers and other business partners;
- managing our franchisees and tracking our franchisees’ performance;
- ensuring compliance with relevant laws and regulations;
- competing effectively against existing and future competitors; and
- preserving our reputation and goodwill generally and in the event of any negative publicity regarding our products, services, or other issues affecting us or the Chinese-style QSR industry in general.

RISK FACTORS

Any events that harm our reputation, such as liability claims, litigation, consumers' complaints, illegal activities conducted in our stores or other negative publicity regarding our stores, or any unlawful acts by other market participants as a result of using our brand illegally, may have a negative effect on our brands. In particular, our brand value may be affected by risks inherently associated with our franchise business model. For example, the wrongdoings of our individual franchisees may have a negative impact on consumers' perception of our brands and our overall brand value. Meanwhile, the poor performance of any franchised store or any negative publicity in relation to franchised stores relating to our products, IPs, operations and other business partners, even without merits, could materially and adversely affect consumer perceptions of our brands and result in decreased demand for our products. In addition, any public perception that we, or other industry participants, do not provide satisfactory products or services to consumers, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brands, undermine the trust and credibility we have established and have a negative impact on our ability to attract and retain consumers, and our business, financial condition and results of operations may be materially and adversely affected. We cannot assure that we will not receive any material consumer complaints or that no one will utilize our brands illegally, which could cause a material adverse effect on our future operations. Any damage to our reputation or brands may result in adverse impact on our business, financial condition and results of operations.

Our store network consists primarily of franchised stores that are operated by third parties. We face certain risks associated with the use of franchise business model.

We primarily operate our business under the franchise model. As of December 31, 2023, 2024, 2025 and May 31, 2026, we had 3,123, 3,926, 4,481 and 4,750 franchised stores, respectively, each representing over 90% of total stores under operation as of the respective dates. Therefore, our business operations depend heavily on the success of our cooperation with our franchisees. The results of our operations are also significantly influenced by the performance of our franchised stores. We face a number of risks associated with the use of franchise business model, each of which may impact our revenue generation, harm our brand image and adversely affect our business and results of operations. These risks include, among others:

Revenue contribution of our franchised stores. During the Track Record Period, our revenue was significantly contributed by our franchised stores, primarily the revenue generated from the sale of goods to our franchisees. Our financial condition is highly dependent on our franchisees' sales growth. If they do not achieve the expected sales, our revenue and profit margins could be materially and adversely affected. Moreover, if sales decline for our franchisees, it might result in store closures, delayed payments to or reduced purchases from us.

Ability and willingness of franchisees to operate stores. The success of our store network expansion largely depends on the willingness and ability of our franchisees to implement our major initiatives. These initiatives, such as marketing and promotional activities, may involve additional costs and be more beneficial to the franchisees in the long term than in the short term. There is no assurance that our franchisees will always implement these initiatives, align with our vision or prioritize long-term benefits.

Management of franchisees. Our franchisees generally operate their businesses independently and are responsible for the day-to-day operation of their stores. Thus, the success and quality of a franchised store are largely dependent on the franchisee. We cannot guarantee that our management of franchisees will always be effective. If our franchisees do not fulfill their obligations in accordance with their franchise agreements with us or our internal policies or guidelines, or if they fail to successfully operate stores consistent with our standards, our brand image and reputation could suffer, which in turn could adversely impact our business and results of operations. Additionally, if we fail to monitor our franchisees' performance and uphold quality control over them, we may fail to manage our store network effectively or sustain our business performance. As stipulated in our franchise agreements, franchisees are responsible for obtaining all the licenses and permits required for operating franchised stores. However, there can be no assurance that our franchisees will be able to obtain or renew all of the approvals, licenses and permits required for existing business operations promptly or at all pursuant to agreement terms.

RISK FACTORS

Litigation regarding franchisees. Our franchisees face various litigation risks, including consumer claims, personal-injury claims, environmental claims and employee allegations of improper termination. Even though we are not directly responsible for these litigation costs, they may increase the costs for our franchisees and affect their profitability. This could limit the funds available for their payments to us or store development or could prevent them from renewing their agreements with us, which in turn could adversely affect our business and results of operations and may have a negative impact on our brand image. During the Track Record Period, our franchisees have entered into litigations in the ordinary course of their businesses. These litigations, individually or in aggregate, have not had a material impact on our results of operations.

If any of our franchisees defaults under our agreements or commits misconduct, they may not be in a position to compensate us sufficiently for losses suffered as a result of such defaults or misconducts. Further, the bankruptcy of a franchisee could also substantially impact our ability to collect payments from such franchisee. While we may take action to terminate our relationship with our franchisees, it is not always possible to promptly identify and address problems. Consequently, our brand image and reputation could be compromised, leading to a material adverse impact on our results of operations.

Furthermore, we may not be able to successfully maintain the relationships with our franchisees. In addition, we may not be able to attract a sufficient number of new franchisees to join our network and open stores, which could cause us to lose market shares and negatively affect our future business growth.

Our future growth depends on our ability to successfully operate and expand our store network. Our new stores may not be able to successfully enter into new markets and achieve satisfying store performance.

During the Track Record Period, we generated a substantial amount of our revenue from the sale of goods to our franchisees. Accordingly, our future growth depends significantly on our ability to operate and expand our store network. We may not be successful in expanding our store network.

For existing geographical markets, as we increase our store count in some regions, we will also need to enhance our supply chain infrastructure in these regions to meet the market demand, while maintaining the quality and customer satisfaction of our stores. As a result, we might incur additional operating expenses as we continue our expansion in these markets. Further, we may also encounter difficulties during our expansion. For example, we may face intense competition from other brands. In the event that we fail to maintain our relationship with existing franchisees or our competitors offer more favorable terms, our existing franchisees may choose instead to collaborate with other brands, which may, in turn, negatively affect our market share in the existing markets. If our expansion in the existing markets is not cost-effective or fails to achieve positive results, it could negatively impact our business, financial position and results of operations.

In addition, any additional new geographic markets we might enter in the future could present different competitive conditions, consumer preferences, spending patterns and regulatory and compliance requirements. We cannot guarantee that the actual market demands of new regions will align with our expectations or that we will open new stores in these markets in a timely manner or at all.

We plan to expand into overseas markets with a priority on the Southeast Asia market. The overseas markets in which we plan to enter in the future may have different competitive conditions, regulatory and compliance requirements, consumer tastes and discretionary spending patterns than the markets in China. As a result, new stores to be opened in overseas markets may not be as successful as our stores opened in China. See “— We are subject to risks related to our overseas expansion, which may result in fluctuations of our business and results of operations.”

RISK FACTORS

All the factors mentioned above, whether individually or in combination, might delay or hinder our store network expansion. Moreover, our store network expansion could place considerable demands on our management and our operational, technological and financial resources. If we cannot manage these demands, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to respond to market dynamics, evolving consumer preferences or changing consumer discretionary spending effectively.

Our business relies on consumer demand for our products, which depends substantially on factors that are ever-evolving in nature, such as consumer preferences, consumer perceptions of and confidence in our products, and consumers’ discretionary spending power.

While we are dedicated to developing new products and improving existing ones, there is no assurance that we can consistently and promptly respond to changes in consumer preference and market development, or that our products can gain or retain consumer preference. Consumer demand for our products may fluctuate due to many reasons, such as increase in product price due to raw materials costs, changes in our membership program, varying dietary preferences, release of new competing products, or dietary concerns about calories and additives. In particular, considering the growing trends of healthy diet, the negative publicity on the overuse of additives, flavor enhancer and other chemicals in the production of food products, although sometimes unsubstantiated, may have adverse impact on our business and results of operations. Besides changes in consumer preferences, our business also depends on consumers’ discretionary spending power, which is influenced by many factors beyond our control, including but not limited to macroeconomic conditions. Any material or adverse changes in consumer demand for our products, whether driven by changes in consumer preference, consumer perceptions of and confidence in our products, or in their discretionary spending power or other factors may have a material and adverse effect on our results of operations, financial performance and business prospects.

In addition, we seek and will continue to explore new store formats to grow our business. We are in the process of implementing our store design upgrade strategy, which is a comprehensive approach aimed at increasing brand visibility, enhancing the overall customer experience and maintaining our competitive edge in the market. See “Business — Our Store Network — Store Features.” However, our exploration of new store formats may not be successful due to various reasons such as lack of customer acceptance, inefficiency in operations and unsuccessful branding strategies. As a result, we cannot assure you that our initiatives in exploring new store formats will benefit our business operations, generate sufficient revenue to offset the associated costs, or otherwise result in the intended benefits.

We are faced with increasingly intense competition with other leading players within the industry. Any failure to compete effectively may negatively impact our market share and profitability.

The QSR industry in China is intensely competitive and comprises Chinese-style QSR, Western-style QSR and other QSR formats by cuisine type. Operators across these segments compete with us for consumer traffic, delivery orders, suitable store locations, employees, marketing resources and consumer loyalty. According to CIC, the chain penetration rate for Chinese style QSR was only 33.7% in 2025 compared with 68.6% for Western- style QSR in China. Western-style QSR operators have generally developed earlier in China, with more mature operating systems and stronger brand recognition, which may increase competitive pressure on us.

Within the Chinese-style QSR market, competition is also intense, with a wide range of brands that differ significantly in store scale, operational models and geographic coverage. We face intense competition from other brands in various areas, including product development and innovation, product quality and consistency, value-for-money, store location, consumer experience, and consumer acquisition and retention. We ranked among the top three participants in the Chinese-style

RISK FACTORS

QSR market by GMV in 2025, with a GMV of RMB6.4 billion and a market share of 0.7%. Entry barriers to this market segment include, among other things, strong brand influence, supply chain and production capabilities and scalable operating model. Key challenges and threats include, among other things, price fluctuation and consumer preferences. We may fail to compete effectively against, or be outperformed by, other brands. For example, our competitors might have more financial, technological, marketing and other resources than we have. They might be more experienced or able to devote greater resources to develop and promote their products and expand to new areas. Any competitive measures they take in response to our expansion could hinder our growth and adversely affect our sales and results of operations. Additionally, if we are unable to attract and retain our consumers with quality products, develop and launch new products that cater to our consumers’ preferences, continually enhance our consumer experience, or continue to build brand awareness, consumers might choose products and services offered by our competitors, which could adversely affect our business, financial condition, and results of operations.

Furthermore, intense competition might reduce our market share and profitability and require us to increase our sales and marketing efforts and capital commitment in the future. This could negatively affect our results of operations. There is no assurance that we will continue to expand or retain our consumer base in the future against current or future competitors. If we fail to compete effectively, our business might suffer from reduced market share and consumer traffic, and our financial condition and results of operations could be materially and adversely affected.

We rely on third-party suppliers and other business partners to provide raw materials and services to us.

We rely on our third-party suppliers and other business partners to operate our business. Hence, our results of operations would be materially and adversely affected if our cooperation with them has been interrupted, discontinued or otherwise deteriorated due to many factors, including, but not limited to, any interruptions to their operations, any failure of our suppliers to accommodate our fast growing business scale, any termination or suspension of our supply arrangements, any change in cooperation terms, or any disputes with our third-party suppliers or other business partners. If we could not solve the impact of the interruptions of operations of our third-party suppliers or other business partners, our business operations and financial results may be materially and adversely affected.

For example, our stores purchase food items from us. To provide these, we self-produce the majority of our key products, including meat fillings and flour wrappers. A significant disruption in the operations of our raw material suppliers may result in delay of store opening and interruption of store operations. Our ability to provide sufficient, stable and timely supply to our stores depends on our procurement capabilities, production capacity, logistics system, among other factors that may affect our supply chain. Our current agreements with our suppliers generally do not prohibit them from working with our competitors. Our competitors may be more effective in providing incentives to our suppliers to prioritize their orders in case of short supply. In addition, we rely on certain third-party systems and programs, such as our membership program, to conduct our business and any interruptions or delays in such platforms and services may impair our normal operations. If this happens, we cannot assure you that we would be able to find alternative suppliers on commercially reasonable terms, or a timely basis, or at all. If we are unable to provide our stores with sufficient, stable and timely supply of store supplies to meet consumers’ demands and to support the stores’ operation, our stores’ business performance may be materially and adversely affected. For example, shortages of one or more of the necessary food items could force our stores to suspend sales of related products, which could impact the stores’ business performance and consumer satisfaction.

In particular, our success depends largely on a stable and adequate supply of quality raw materials, which may be subject to risk of shortage, unsatisfactory quality and fluctuations in the cost. The principal raw materials for our products include meat and flour. In 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, our material cost under costs of sales amounted to RMB1,296.8 million, RMB1,695.7 million, RMB1,810.6 million, RMB598.8 million and

RISK FACTORS

RMB775.3 million, respectively, accounting for 86.4%, 85.9%, 86.3%, 83.6% and 83.0%, respectively, of total cost of sales over the same respective periods. If we are unable to obtain raw materials in the quantities, of a quality or at a price that we require, our quality of products and profit margins may be adversely affected. Raw materials used in our products are subject to price volatility caused by external conditions, such as market supply and demand, changes in governmental policies and natural disasters. We and our stores typically are not able to immediately pass raw material price increases on to our consumers from unforeseen changes in price of raw materials that may have an adverse effect on our profitability and results of operations. We may also be unable to receive compensation from suppliers for defective raw materials or ingredients used in our stores and indemnity provisions in our supply agreements may be insufficient. In addition, if a large number of our current suppliers decide to terminate business relationships with us, or if the raw materials supplied by our current suppliers fail to meet our standards, or if our current supplies of raw materials are interrupted for any reason, qualified suppliers may not be readily available and we may not be able to easily switch to other suppliers in a timely fashion, which may materially and adversely affect our business and financial results. We also rely on outsourcing suppliers to provide certain other ingredients, pre-packaged dumplings and wontons, in-store equipment and manufacturing equipment. Such outsourcing suppliers operate independently and are not under our control. Any failure by these suppliers to deliver ingredients, products or equipment in a timely manner, maintain consistent quality standards, comply with applicable food safety, manufacturing or regulatory requirements, or maintain stable production capacity may disrupt our supply chain or store operations. In particular, delays, quality issues or supply interruptions involving pre-packaged food products or essential equipment could adversely affect product consistency, store-level operations and rollout of new. In addition, if we are unable to replace such outsourcing suppliers on commercially reasonable terms or within a reasonable timeframe, our business operations, franchisee satisfaction and brand reputation may be adversely affected.

For online channels, we cooperate with third-party food delivery platforms to offer consumers convenient methods for order placement. System failures or delivery delays on these platforms may degrade consumer experience and confidence. Timely delivery of products in proper condition is critical, as consumer rejection could damage our reputation. Furthermore, we cannot assure the continuity of cost-effective, long-term relationships with these platforms. The termination or deterioration of any third-party partnerships, whether logistics, warehouses or food delivery platforms, may materially and adversely affect our business, financial condition and results of operations.

Our operating history may not be indicative of our future growth or financial results, and we may not be able to achieve and sustain the historical level of revenue and profitability.

As of May 31, 2026, our store network comprised 4,773 stores in total. However, our operating history may not serve as an adequate basis for evaluating our prospects and results of operations, and our historical business performance may not be indicative of our future growth or financial condition. There is no assurance that we will be able to maintain our historical growth rates in future periods. The speed of our new store openings may fluctuate from time to time, due to factors such as changing market conditions and adjustments to our strategic focus from increasing scale to improving operating efficiency. Our growth rates may decline for a variety of reasons, and some of these reasons are beyond our control, including, among others, prevailing dietary preferences and perceptions of consumers, increasingly intense competition, the emergence of alternative business models and changes in government policies or general economic conditions. Our store network expansion is subject to uncertainties, and our business may not grow at the rate we expect for the reasons stated above. If our growth rates decline, investors’ perceptions of our business and prospects may be materially and adversely affected, and the market price of our H Shares could decline.

RISK FACTORS

The expansion of our store network may place substantial pressure on our management and our operational, technological, labor and other resources. Our expansion will also require us to maintain consistent food and service quality and preserve our reputation to ensure that our brands will not suffer as a result of any deterioration, whether actual or perceived, in the quality of our food or services. Our continued success also depends on our ability to recruit, train and retain additional qualified management, administrative, sales and marketing personnel, particularly as we expand into new markets. In addition, we need to continue to manage our relationships with our franchisees, consumers, suppliers, service providers and other business partners. These endeavors will require substantial management attention and efforts and will require significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities. This, in turn, may have a material adverse effect on our business, financial condition and results of operations.

If we are unable to constantly maintain our price positioning, our results of operations, financial performance and business prospects would be materially and adversely affected.

We may face various challenges in consistently maintaining our price positioning. Factors such as increases in market prices of raw materials that meet our quality standards, increases in labor costs, or increases in logistics costs may pressure us to set higher prices for our products than initially contemplated. Additionally, factors such as intensified competition or changes in market conditions may pressure us to lower our price. Furthermore, inflation could materially impact our business operations and financial performance by significantly increasing the cost of raw materials, labor, and other operating expenses, which may, in turn, put pressure on our profitability. These factors and consequences may compromise our profitability and/or that of our franchisees, undermine our positioning as a provider of value-for-money products, making us less appealing to consumers and less competitive in the marketplace. If any of the foregoing occurs, our results of operations, financial conditions and business prospects may be materially and adversely affected.

Any failure by us, our franchisee, suppliers or other business partners to maintain the quality, safety and hygiene standards of our products could have a material and adverse effect on our reputation, financial condition and results of operations.

Quality, safety and hygiene standards of our products are vital to our reputation and success. Maintaining consistent quality in food safety standards, to a large extent, depends on the effectiveness of our quality assurance system, which, in turn, depends on multiple factors, such as the design of our quality control system and the ability to ensure our employees, franchisees and other third parties who are involved in the operation comply with those quality assurance policies and guidelines. Instances or reports, whether true or not, of food-safety issues, such as food-borne illnesses, adulteration, contamination or mislabeling, either during packaging, transportation, storing or preparation, employee hygiene and cleanliness failures, or improper employee conduct, have in the past severely injured the reputations of companies in the Chinese-style QSR sector. Any report linking us to such instances could severely hurt our sales and could possibly lead to product liability claims, litigation and/or temporary store closures. In addition, instances of food safety issues, even those involving solely the stores of competitors or of suppliers, could cause negative publicity about us or the Chinese-style QSR industry in general and adversely affect our sales on a regional or national basis. A decrease in consumer traffic as a result of food safety concerns or negative publicity, or as a result of a temporary closure of our stores, product recalls or food safety claims or litigation, could materially harm our business and results of operations.

Our food safety system covers all major aspects of our business and the operation of our stores. See “Business — Food Safety and Quality Control.” We cannot assure that our quality control and food safety control will remain effective at all times, and we cannot assure that we can discover any flaw in our quality control and food safety control. We may fail to ensure that our franchisees, employees and other third parties involved in our operations, such as suppliers and third-party logistic service providers, adhere to our internal policy and guidelines. During the Track

RISK FACTORS

Record Period, there have been negative incidents and publicity regarding food safety issues in our franchised stores. Although we have rectified the issues, heightened our relevant food safety measures and strengthened our management of our franchised stores, there may continue to be negative incidents and publicity regarding food safety issues in our stores in the future. Any of these actual or perceived incidents may result in customer complaints, adverse media coverage and social media dissemination, and may also trigger regulatory enquiries, inspections, warnings, fines, rectification orders, temporary suspension of operations, or, in serious cases, revocation of permits or other administrative measures against the relevant stores. Due to these incidents, we may become subject to public scrutiny, mainly relating to the safety and quality of our food products and our brand reputation and consumer confidence may be adversely affected even if the incidents are isolated or are not ultimately found to be systemic. food safety incidents may expose us and/or the relevant franchisees to civil claims, compensation payments and disputes (including with customers and delivery platforms), and may increase our compliance and monitoring costs. These consequences could reduce customer traffic and sales at affected stores and, depending on the circumstances, may also negatively impact our franchising business, including franchisee recruitment and retention, and our financial performance.

From time to time, criticisms, complaints and negative media coverage, regardless of their veracity, may result in negative publicity, which could result in government inquiry or harm to our reputation and brands, and may adversely affect our business and prospects. Failure to discover or prevent any food contamination may adversely affect the quality of the products that we sell, might lead to liability claims and penalties and fines from relevant authorities, as well as less consumer traffic in our stores. There are no assurances that we will not receive any food contamination claims and relevant administrative punishments in the future. Any of these events may cause material damages to our reputation, financial condition and results of operations.

Any significant changes in food safety regulations and related policies could affect our business.

The Chinese-style QSR industry where we operate shall comply with the laws and regulations of food safety. Such regulations set out the safety standards for food and food additives, packaging and containers, the information required to be disclosed on packaging, and the regulations on food operation and sites and sale of food. For example, in recent years, the regulators have been stepping up their supervision on food safety and have implemented several laws, regulations and standards concerning food safety. Failure to comply with the laws and regulations of food safety may result in corrective actions ordered by regulatory authorities, fines, confiscation of the proceeds, suspension of business operation as ordered, revocation of operation permits, and in extreme cases, criminal liability. Despite our current compliance with existing laws and regulations concerning food safety, if any government makes further changes to its regulations on food safety, our cost of sales and operational expenses may increase, and we may not be able to successfully pass the additional costs externally, which will have adverse impacts on our business, financial condition and development prospects.

We face risks in relation to production capacity. Our future success and growth potential are dependent on our ability to effectively manage our production capacity and successfully implement our production capacity expansion plans.

We strategically operate our production facilities to secure the stable, quality and value-for-money supplies to stores. We self-manufacture the vast majority of our key products. As of May 31, 2026 we had six production plants in China. During the Track Record Period, our production plants mainly produced meat fillings and flour wrappers. Our ability to maintain the daily operation of our stores and to meet the growing demands for our products may be constrained by limitations in our production facilities. Unexpected and prolonged disruptions, such as water, electricity shortages, or fires, can seriously impact our business. If we are unable to swiftly restore or relocate the affected facilities, our business operations will be materially and adversely interrupted. While we have put prevention measures in place, there is no guarantee of their effectiveness. If our production facilities

RISK FACTORS

or any of our warehouses were to experience a significant incident, we might suffer product losses, incur substantial costs for restoration or relocation, and potentially face legal repercussions for not adhering to applicable laws and regulations. Furthermore, if such incident leads to damages incurred by third parties, and we are deemed partially or wholly responsible, we might also face compensation liabilities. As a result, our business operation, results of operations and financial condition may be adversely affected.

We may make production capacity expansion plans that require significant investments in the future. See “Business — Strategies.” However, there is no assurance that such expansion plans will be successfully implemented as scheduled or will be commercially successful. Our production capacity expansion plan may be also subject to interruptions caused by risks commonly associated with large construction and expansion projects, such as sufficiency of capital, failure to obtain requisite approvals from regulatory authorities, adverse weather conditions, natural disasters, accidents and unforeseen circumstances and problems, and other factors beyond our control. As such, we may not be able to achieve our future production capacity expansion on time.

Furthermore, our investment in such expansion plans may not necessarily lead to the desired results. For example, if the expansion leads to excessive production capacity that does not match our business growth, we could experience low utilization rates of production capacity or overproduction, high fixed costs and low margins. If any of the foregoing events occur, our results of operations, financial performance and business prospects could be materially and adversely affected.

If we are unable to manage and expand our logistics system efficiently and effectively, our results of operations and business prospects may be materially and adversely affected.

The increase in demand for our products may result in challenges in operating our logistics system. For example, our delivery services may be delayed due to limited shipping capacity when facing increasing orders from franchisees, and we may be required to incur significant costs to further expand our existing logistics facilities to handle the increasing orders. Moreover, as we continue to expand business, our logistics system may become increasingly complex and challenging to operate. Furthermore, our delivery services are vulnerable to extreme weather conditions, natural disasters and other unexpected event.

Given the fragile and perishable nature of our raw materials and food products, it is vital that we implement strict temperature guidelines for transportation. If any significant breakdowns, especially concerning temperature or humidity controls, were to occur over an extended period, it could compromise the freshness and quality of the stored raw materials and food products. Delays caused by traffic congestion, accidents, or other unforeseen incidents could also disrupt our logistics operations and impact timely deliveries. In the event of equipment malfunctions, not only might we need to discard compromised products, but equipment repairs or upgrades can be costly and time-consuming. These challenges in logistics could adversely affect our business operations and financial results.

Our self-operated warehouse system includes our own facilities and facilities leased from third parties. We may not be able to identify and cooperate with reliable third parties to lease the facilities and/or procure delivery services on commercially reasonable terms, or at all. Additionally, we may not have full control over these third parties. Such third parties may not fully adhere to our quality standard, fail to meet our demand for warehousing and delivery, or otherwise are not able to support our business growth. If any of the foregoing occurs, the fulfillment capacities and operations of our logistics system may be negatively affected, which will in turn materially and adversely affect our results of operations and financial performance.

RISK FACTORS

As of May 31, 2026, our comprehensive cold chain warehousing and distribution network spanned across China. We also plan to continue the expansion of logistics facilities at additional locations in China and overseas. However, we cannot assure you that we will be able to acquire land use rights or leases and set up warehouses on commercially reasonable terms or at all. Moreover, we may not be able to recruit a sufficient number of qualified employees in connection with this expansion. In addition, the development of our logistics system is costly and may strain our managerial, financial, operational and other resources. If we fail to manage such expansion successfully, our results of operations, financial performance and business prospects may be materially and adversely affected.

If we fail to manage our inventories effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.

We had inventories of RMB61.0 million, RMB71.9 million, RMB88.4 million and RMB94.6 million as of December 31, 2023, 2024, 2025 and May 31, 2026, respectively, and our inventories turnover days were 15.5 days, 12.1 days, 13.7 days and 14.7 days in 2023, 2024, 2025 and May 31, 2026, respectively. Our inventories include finished goods and goods shipped in transit, which require us to manage our inventories effectively. We depend on our demand forecasts for various kinds of goods to make purchase decisions and to manage our inventories. Such demand, however, can change significantly between the time inventories are ordered and the date by which we hope to sell it. Demand may be affected by seasonality, new product launches, pricing and discounts, product defects, changes in consumer spending patterns, changes in consumer tastes and other factors, and our consumers may not purchase products in the quantities that we expect. In addition, as we develop and market a new product, we may not be successful in establishing stable and favorable supplier relationships or accurately forecasting demand. The acquisition of certain types of inventories may require significant lead time and prepayment and they may not be refundable.

Furthermore, as we plan to continue expanding our product offerings, we expect to include a wider variety of raw materials and food products in our inventory, which will make it more challenging for us to manage our inventory and logistics effectively. We cannot guarantee that our inventory levels will be able to meet the demands of consumers, which may adversely affect our sales. We also cannot guarantee that all of our inventory can be consumed within its shelf life. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory value, and significant inventory write-offs. Any of the above may materially and adversely affect our results of operations and financial condition. On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply quality raw materials in a timely manner, we may experience inventory shortages, which might result in diminished brand loyalty and lost revenue, any of which could harm our results of operations, financial condition and liquidity.

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

We have expanded our presence beyond Chinese Mainland and plan to further expand into other overseas markets with a priority on the Southeast Asia market. The overseas markets in which we plan to enter in the future may have different competitive conditions, regulatory and compliance requirements, consumer tastes and discretionary spending patterns than the markets in Chinese Mainland. As a result, new stores to be opened in overseas markets may not be as successful as our stores opened in Chinese Mainland. Specifically, due to lower consumer familiarity with our brands in overseas markets, differences in consumer tastes or spending patterns or other reasons, store sales outside Chinese Mainland may take longer to, or may never, ramp up and reach expected sales and profit levels, thereby affecting our overall growth and profitability. To build brand awareness in overseas markets, we may need to make greater investments in advertising and promotional activity than we originally planned or than we need to for opening new stores in Chinese Mainland, which could negatively impact the profitability of our operations in those overseas markets.

RISK FACTORS

In addition to the above, our overseas operations are also subject to additional inherent risks of conducting business abroad, such as:

- difficulty in finding qualified franchisees, suppliers and other business partners and maintaining relationships with these business partners for overseas operations;
- challenges, changes or uncertainties in navigating economic, legal, regulatory, social, political, religious and geopolitical complexities in these international markets, or international relations;
- interpretation and application of laws and regulations, including licensing, approvals, permits, tax, tariffs, labor, merchandise and privacy laws and regulations, as well costs and other burdens of complying with a wide variety of local laws and regulations;
- restrictive actions of governmental authorities affecting trade and foreign investment, including relevant measures such as export and customs duties and tariffs, government policies that affect dynamics of market competition and restrictions on the level of foreign ownership;
- the enforceability of intellectual property and contract rights under different legal systems;
- limitations on the repatriation of funds and foreign currency exchange restrictions due to current or new local regulations;
- challenges in recruiting and retaining high-quality employees in overseas markets;
- challenges in securing desirable locations for opening stores;
- difficulties in setting up and developing warehouse system and delivery network overseas;
- difficulties to effectively manage the supply chain, including but not limited to procurement, production, logistics, R&D and quality control, to meet the needs of new and existing stores on a timely basis;
- difficulties in developing and managing foreign operations, including ensuring the consistency of product quality and services, due to governmental regulations and actions, distance, language and cultural differences.

Any of the above factors could materially and adversely affect our ability to enter these new geographical markets. If we cannot successfully enter these new geographical markets or if there is a delay in our expansion in these markets, our business, financial condition and results of operations may be materially and adversely affected.

We may incur significant costs in connection with our marketing and promotional efforts, and if some marketing campaigns are not as effective as expected, our results of operations may be negatively impacted.

Our operating results are affected by our brand marketing efforts and advertising activities. To promote our brand recognition and increase our brand value, we had invested in our brands with comprehensive branding and marketing initiatives during the Track Record Period. See “Business — Branding and Marketing.” In 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, the selling and marketing expenses amounted to RMB77.0 million, RMB125.9 million, RMB136.9 million, RMB42.1 million and RMB66.0 million, respectively. Going forward, we will continue to adopt such strategies to enhance our reputation.

RISK FACTORS

As marketing trends are evolving, we may continue to explore new sales channels to keep pace with industry developments and consumer preferences. With our continued efforts in this regard, our selling and marketing expenses may increase. However, our investment in selling and marketing may not yield the ideal results we expected. If any of the foregoing risks becomes materialized, our businesses and results of operations may be materially and adversely affected.

We may not be successfully in promoting our membership program and our ability to track and analyze consumer and transaction data from such program may be limited.

We have launched our membership program through our mini programs. See “Business — Digitalization.” There is no assurance that our membership program will be implemented successfully or remain sustainable, nor can we assure you that the program will be effective in retaining existing members or increase their repurchases. If any of the foregoing risks materializes, our business, financial condition and results of operations may be materially and adversely affected.

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

Due to our large store network and ongoing business expansion, we may face intensified regulatory and public scrutiny, particularly regarding consumer protection and food safety issues, leading to additional legal and societal obligations. Any adverse report about our business, financial condition or results of operations — whether true or not — can tarnish our brand image, affect sales, and potentially lead to liability claims, litigation, or damages. Any negative publicity about the Chinese-style QSR industry in general, including negative publicity on food safety and quality, could also adversely affect our sales on a regional or national level. See “— Any failure by us, our franchisee, suppliers or other business partners to maintain the quality, safety and hygiene standards of our products could have a material and adverse effect on our reputation, financial condition and results of operations.”

In addition, any significant liability claims or consumer complaints involving our products, services or stores operations, may have a negative impact on our business and results of operation. Any complaints or claims against us, even if meritless or unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Consumers may lose confidence in us and our brands, which may adversely affect our business and results of operations. Furthermore, adverse publicity including but not limited to negative online reviews on social media platforms, industry findings or negative public opinions about Chinese-style QSR, media reports related to food quality, safety, public health concerns, illness, injury or government, whether or not accurate, and whether or not concerning our products, can adversely affect our business, results of operations and reputation.

If we are not able to adequately protect our intellectual properties, or if we are not able to maintain the popularity of our IPs, our business will be materially and adversely affected.

The success of our business depends in part upon our continued ability to use our brands, trade names and trademarks to increase brand awareness and to further develop our products. The unauthorized reproduction of our trademarks could diminish the value of our brands and their market acceptance, competitive advantages or goodwill. There is no guarantee that these measures will be sufficient to prevent third-party infringements. Inadequate protection on our intellectual property rights could result in infringement or the loss of these rights and material and adverse impact on our business.

RISK FACTORS

For example, our IP, Yuen Kee Dumpling, is critical to our business operations. The popularity and success of this IP depend on the consumers’ interests, which evolve extremely quickly and can change dramatically from time to time. However, we cannot assure you that consumers will always be interested in and embrace our IP and the events we organize. In addition, our success is also dependent on our ability to adequately protect our IP, which may be harmed by many factors, such as (i) unfavorable publicity or negative news regarding us or the creative content around our brand and IP, including the fan-made videos and other content; (ii) unauthorized use of the intellectual properties around our IP and brand by third parties; and (iii) falsified or unauthorized replica items that closely resemble our IP and brand. Furthermore, we may fail to register our key trademarks in overseas markets where we plan to expand, which could adversely affect our ability to protect our brand and operate our business in those markets.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or our franchisees, suppliers or other third parties.

Our business involves our employees, as well as franchisees, suppliers or other third parties. If any of them commit illegal actions or misconduct, our reputation and operation may be materially and adversely affected.

In the event that we become subject to claims caused by actions taken by our employees or our franchisees, third-party suppliers, service providers or other business partners, we may seek compensation from the relevant parties. However, such compensation may be inadequate to cover our actual losses. If no claim can be asserted against the relevant parties, or amounts that we claim cannot be fully recovered from such parties, we may be required to bear such losses and compensation at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

Our commercial success depends on our ability to operate without infringing upon, misappropriating or otherwise violating the intellectual property rights of third parties.

We may be subject to legal proceedings and claims relating to the intellectual property rights of others in the future. There could also be existing intellectual property of which we are not aware that our products may inadvertently infringe. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management’s time and other resources from our business and operations to defend against these infringement claims, regardless of their merits.

Counterfeit stores may significantly harm our reputation and brand image and divert potential consumers.

Our established brand recognition may attract imitators who operate counterfeit stores that utilize our trademarks and imitate our trademarks without our authorization. Counterfeit stores may divert potential consumers from our stores. More importantly, substandard products sold in counterfeit stores may significantly harm our reputation and brand image, including the perceived quality and reliability of our products. Any unauthorized use of our trademarks and imitation of our products could adversely affect our brand name and reputation, thereby causing a decline in our financial performance, reduction in our market share as well as an increase in the amount of resources we need to devote to detection and prosecution of unauthorized use of our trademarks or imitation of our products. We cannot assure you that our measures to crack down on counterfeit stores will provide effective prevention for unauthorized third-party use of our trademarks or imitation of our products which could adversely affect our reputation, results of operations and financial condition.

RISK FACTORS

Any failure to comply with data security, cybersecurity and personal information protection laws could damage our reputation and we could suffer a loss of revenue, incur substantial additional costs and become subject to litigation and regulatory scrutiny.

During the ordinary course of our business, we receive certain necessary personal information, such as the personal information of our consumers as they become our members or place orders via our mini programs, which may include for example, membership card number and phone number. Therefore, we are subject to laws and regulations relating to the protection of personal information, cybersecurity and data security.

The interpretation and application of laws, regulations and standards on cybersecurity, data protection and privacy shall follow the then effective laws and regulations and are still evolving and subject to change that may affect us. We cannot assure you that our data security, cybersecurity and personal information protection measures are, and will be, always considered sufficient under applicable laws and regulations. See also "Regulatory Overview — Laws and Regulations on Cybersecurity, Data Security and Personal Information Protection" for details. In addition, laws, regulations and standards on data security, cybersecurity and personal information protection continue to develop and may vary from jurisdiction to jurisdiction. Complying with new and changing requirements may cause us to incur substantial costs or require us to change our business practices. Additionally, the integrity of our data security, cybersecurity and personal information protection measures is also subject to risks of systemic failure, interruption, inadequacy, security breaches or cyber-attacks. If we are unable to comply with the then applicable laws and regulations, or to address any data security, cybersecurity and privacy protection concerns, such actual or alleged failures could damage our reputation, impact our ability to manage digital operations and could subject us to significant legal, financial and operational consequences.

Our success depends on the continuing efforts of our key management and experienced and capable personnel as well as our ability to recruit new talents. If we fail to hire, train, retain or motivate our staff, our business and results of operations may suffer.

Our success is dependent upon the continuing services and performance of our key employees and senior management, as well as experienced and capable personnel generally. If one or more members of our key employees and senior management are not able or willing to continue to perform their current responsibilities, we may not be able to locate suitable replacements, and may incur additional expenses to recruit and train new staff, which could disrupt our business and growth. In addition, if any of our key employees and senior management joins a competitor or forms a competing business, we may lose trade secrets, technical know-how, key professionals and staff members.

Our growth also requires us to hire, train and retain a wide range of talents who can adapt to a dynamic, competitive and challenging business environment and are capable of helping us conduct effective marketing, develop new products and enhance technological capabilities. We may need to offer attractive compensation and other benefit packages, including share-based compensation, to attract and retain them. We also need to provide our employees with sufficient training to help them realize their career development goals and grow with us. Any failure to attract, train, retain or motivate key employees and senior management, as well as experienced and capable personnel, could adversely affect our business, financial condition and results of operations.

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

We and our franchisees may be subject to a number of risks in relation to the leased properties in the ordinary course of the businesses, including but not limited to the following:

We and our franchisees may not be able to renew existing lease agreements at reasonable commercial terms, especially for stores in locations with a high volume of consumer traffic. We and our franchisees may also be exposed to risks of unexpected early lease termination at the request of the lessors or other reasons out of our control, which may result in store closures if we and our franchisees are not able to identify suitable alternative premises on acceptable terms to relocate in

RISK FACTORS

a timely manner. Our or our franchisees’ profitability may be materially and adversely affected by any substantial increase or fluctuation in the local rental prices of regions or countries where we have established business presence. As of May 31, 2026, we leased 47 properties in China with an aggregate floor area of 76,912.34 square meters from third parties, among which (i) the lessors for 13 properties had not provided to us the title certificates or authorizations from the property owners for the lessors to sublease the properties, and these 13 lease agreements have not been registered and filed with the relevant government authorities in the PRC; (ii) the lease agreements for 29 leased properties been not been registered and filed with the relevant land and real estate administration bureaus in the PRC; and (iii) the lease agreements for five leased properties had usage inconsistencies against the titles’ indicated usage. See “Business — Properties — Leased Properties.”

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

We may be subject to liability for placing advertisements with content that is deemed inappropriate or misleading under the relevant laws and regulations.

We pursue an integrated marketing communications strategy anchored in digital channels and supported by targeted offline campaigns. Laws and regulations in the Chinese Mainland or other markets where we operate may prohibit companies from producing, distributing or publishing any advertisement that contravenes applicable legal requirements. We cannot assure you that the promotional content created by us or our advertising service providers will not be perceived as false or misleading. Furthermore, we may be subject to claims by consumers misled by information in our advertisements. We may not be able to recover our losses from advertisers by enforcing the indemnification provisions in the contracts, which may result us in diverting management’s time and other resources from our business and operations to defend against these infringement claims. As a result, our business, financial condition and results of operations could be materially and adversely affected.

We, our Directors, management, franchisees and employees may not always succeed in defending against litigation, regulatory investigations and proceedings, including claims related to food safety, commercial issues, labor, employment, antitrust or securities matters.

We face potential liabilities, legal claim expenses and regulatory risks due to the nature of our business. For example, consumers might file legal claims against us related to personal injuries from food poisoning or tampering incidents. The focus on consumer protection has intensified in recent years, with the relevant governments, media entities and public advocacy groups playing a pivotal role. The offering of defective products by our stores may expose us to liabilities associated with consumer protection laws. We may be generally responsible for compensation for consumers’ loss even if the contamination of food products is not caused by us. Therefore, we may also be held liable if our employees, franchisees, suppliers or other business partners fail to comply with applicable food-safety related rules and regulations. While we can seek indemnification from the responsible parties afterwards, the indemnification may not be sufficient and our reputation could still be adversely affected. In addition, there is no guarantee that we, our Directors, management, franchisees and employees will not face litigation, regulatory investigations and other proceedings in the future. These matters, which can relate to food safety, commercial issues, labor, employment, antitrust or securities, could adversely affect our reputation and results of operations.

After we become a publicly [REDACTED] company, we may face additional exposure to claims and lawsuits. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be forced to pay substantial damages if we are unsuccessful in defending against these claims, which could harm our business, financial condition and results of operations.

RISK FACTORS

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

We primarily operate our business in China. In accordance with PRC laws and regulations, we and our franchisees are required to maintain various approvals, licenses and permits to operate business and stores in the PRC, respectively. These approvals, licenses and permits are granted upon satisfactory compliance with the applicable laws and regulations. They are also subject to examinations or verifications by relevant authorities and some of them are valid only for a fixed period subject to renewal and accreditation.

We and our franchisees may experience difficulties, delays or failures in obtaining the necessary approvals, licenses and permits for new stores. In addition, there can be no assurance that we or our franchisees will be able to obtain or renew all of the approvals, licenses and permits required for existing business operations promptly or at all. If any of these occurs, our ongoing business could be interrupted, and our expansion plan may be delayed.

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolve any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our financial condition and business prospects. Meanwhile, pursuant to the franchise agreements between our franchisees and us, our franchisees are responsible for the validity and effectiveness of the required licenses and permits for operating their franchised stores, and the franchisees shall bear any liabilities arising from non-compliance in this regard as well as compensate us for any consequential damages. However, if a material number of franchised stores are subject to such non-compliance, our business operations may be disrupted, and our financial condition and results of operations may be adversely impacted as a result.

We face risks in connection with third-party payment arrangements.

During the Track Record Period, some of our franchisees (individually or collectively, the “Relevant Franchisee(s)”) settled their payments with our Group through accounts of third-party payors designated by these Relevant Franchisees, such as their employees, friends, business partners and other family members, at their requests (the “Third-Party Payment Arrangement(s)”). As confirmed by CIC, it is not uncommon for franchisees to use third-party payors to settle corporate transactions with their suppliers due to convenience and flexibility. In 2023, 2024 and 2025, a total number of 767, 379 and 284 Relevant Franchisees utilized the Third-Party Payment Arrangements to settle payments with us, respectively. During the same periods, the aggregate amount of payments from their designated third-party payors was RMB437.8 million, RMB245.5 million and RMB153.2 million, respectively, representing approximately 21.6%, 9.6% and 5.5% of our total revenue. Throughout the Track Record Period, no individual Relevant Franchisee made material contribution to our Group’s revenue. See “Business — Customers — Third-party payment arrangements” for more details. As of December 1, 2025, our Group had ceased all the Third-Party Payment arrangements.

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

RISK FACTORS

The insurance policies we have might not offer sufficient coverage for all risks related to our business operations.

We purchase and maintain insurance policies that we believe are customary for businesses of our size and type and as required under the relevant laws and regulations. See “Business — Insurance.” However, we cannot guarantee that our insurance policies will provide adequate coverage for all the risks in connection with our business operations, nor can we assure you that our franchisees will adhere to our requirements regarding insurance coverage. Consistent with customary practice in our industry, we do not carry specific business interruption or litigation insurance. If we incur substantial losses and liabilities that are outside the scope of our insurance coverage, we could suffer significant costs and diversion of our resources and could be required to bear the losses to the extent that our insurance coverage is insufficient, which could have a material and adverse effect on our financial conditions and results of operations.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

Pursuant to relevant PRC laws and regulations, employers are obligated to directly and duly contribute to the social insurance and housing provident funds for their employees. During the Track Record Period, we had not made adequate social insurance and housing provident funds for our employees in accordance with the relevant PRC laws and regulations. According to the applicable laws and regulations, the competent government authorities may demand us to take rectification measures. If we fail to take the measures as demanded, we may be subject to fines.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), for the shortfall of social insurance, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount, and (ii) to pay a fine of one to three times of the overdue amount if such payment is not made within the stipulated period. Under the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), for the shortfall of housing provident funds, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period, and (ii) an application may be made to the courts for compulsory enforcement if the payment is not made within such time limit.

During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay any shortfall with respect to social insurance and housing provident funds or imposing any administrative penalties on us with respect to our social insurance and housing provident fund contributions, nor were we aware of any material employee complaints or involved in any material labor disputes with our employees with respect to social insurance and housing provident funds. See “Business — Legal Proceedings and Non-compliance — Social Insurance and Housing Provident Funds”. However, we cannot assure you that the relevant governmental authorities will not require us to pay the shortfall amount and impose late fees or fines, pecuniary penalties or other administrative actions on us. If we are otherwise subject to investigations related to such incidents related to labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our results of operations, financial performance and business prospects may be adversely affected.

Our business operations are subject to a variety of environmental protection, health, fire safety and other safety laws and regulations.

We and our franchisees are subject to a variety of laws and regulations relating to environmental protection, health, fire safety and other safety. Compliance with existing and future environmental protection, health, fire safety and other safety laws could subject us to costs or liabilities, which may result in significant capital expenditure including monetary damages and fines, impact our production capabilities, result in suspension of our business operations and impact

RISK FACTORS

our financial performance. We currently do not carry any insurance relating to environmental protection. If we are held liable for damages in the event of any pollution, injury or other violation of applicable environmental protection, health, fire safety or other safety laws, we may also be subject to adverse publicity and our financial condition and results of operations could be materially and adversely affected.

Further, there is no assurance that the regulators will not impose additional or more stringent laws or regulations on environmental protection or otherwise related to our business in the future, the compliance of which may require us to incur significant capital expenditure. For example, with the increase in environmental awareness, we may need to comply with more stringent environmental protection regulations on various aspects of our operations such as the use of packages, which may increase our environmental protection compliance cost.

We require a significant amount of capital to fund our operations and respond to business opportunities. If we cannot obtain sufficient capital on acceptable terms, our business, financial condition and prospects may be materially and adversely affected.

We may require cash resources in addition to cash generated from operating activities to finance our continued growth or other future developments. We may need to seek additional financing which we may not be able to obtain on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

- our future financial conditions, results of operations and cash flows;
- general market conditions for capital raising and debt or equity financing activities; and
- general economic, political and other conditions.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in us may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. If we cannot obtain sufficient capital on acceptable terms, our financial performance and business prospects may be materially and adversely affected.

We may make acquisitions, establish joint ventures and conduct other strategic investments, which may not be successful.

To expand our business and strengthen our market position, we may seek to invest in other business upstream in our value chain by forming strategic alliances or making strategic investments and acquisitions. We have not identified any material acquisition or investment target as of the Latest Practicable Date. Acquisitions involve numerous risks, including (i) difficulties in integrating the brands, businesses, goodwill, assets and personnel of the acquired companies, distraction of management from overseeing our existing operations, (ii) difficulties in executing new business initiatives, entering markets or lines of business in which we do not have or have limited direct prior experience, (iii) the possible loss of key employees and consumers, (iv) difficulties in arriving at an accurate and fair valuations, (v) the possibility that we may be unable to realize the anticipated benefits, synergies, cost savings and efficiencies and (vi) difficulties in achieving the synergies we anticipated or levels of revenue, profitability, productivity or other benefits we expected. These transactions may also result in a significant increase in our interest expense, leverage and debt service requirements if we incur additional debt to finance an acquisition or investment, issue common stock that would dilute our current shareholders' percentage ownership, or incur asset write-offs and restructuring costs and other related expenses. Acquisitions, joint ventures and strategic investments involve numerous other risks, including potential exposure to unknown liabilities of acquired or invested companies. No assurance can be given that our acquisitions, joint ventures and other strategic investments will be successful and will not materially adversely affect our business, financial condition or results of operations.

RISK FACTORS

Extreme weather conditions, natural disasters, pandemics, other natural conditions and other unexpected events may create substantial volatility in our business and results of operations.

Our business operations are vulnerable to extreme weather conditions such as windstorms, hailstorms, drought, temperature extremes and typhoons, natural disasters such as earthquakes, forest fires and floods, and other events that may affect our supplies. Our business is also dependent on proper warehousing and prompt delivery and transportation of products to our stores. Raw materials and food products may deteriorate due to malfunctioning of refrigeration facilities caused by power failures and other events. Certain events, such as adverse weather conditions, natural disasters, severe traffic accidents and delays and labor strikes, could also lead to delayed or lost deliveries of products to our stores.

In addition, fires, floods, earthquakes and terrorist attacks may lead to evacuations and other disruptions in our operations, which may also prevent our stores from providing products and services to consumers, thereby affecting our business and damaging our reputation. Any such event could materially and adversely affect our business operations and results of operations. In addition, pandemics may also cause a volatility for our business and results of operations. These events are beyond our control, and we cannot assure you that similar events will not happen in the future. Our future responses to these events and other preventative measures may not always be effective.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Failure to respond to development in the economic conditions or government policies in the jurisdictions where we operate could have a material impact on our business, financial condition and results of operations.

Our results of operations, financial condition and prospects are subject to economic, political, social and legal developments in the jurisdictions that we operate in. Uncertainties in the global economy and the political environment around the world would continuously affect the local economic growth.

We primarily operate our business in Chinese Mainland. During the past few decades, the PRC government has taken various actions to promote market economy and the establishment of sound corporate governance in business entities. The PRC government regulates the economy and the industries through strategically allocating resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing favorable treatments to particular industries or companies. The aforementioned adjustments are beneficial to China’s economy in general, but may have impact on our business, financial condition, results of operations and prospects. It may be difficult for us to predict all the risks that we could face as a result of the current economic, political, social and regulatory development and many of these risks are beyond our control. Failure to respond to such development and risks could materially affect our business operations and financial performance.

Our overseas operations are subject to various risks, including differences in local laws and regulations, labour and employment requirements, food safety standards, tax regimes and licensing procedures, as well as higher potentially higher operating and compliance costs. We may also face challenges in adapting our products and operating practices to local supply chain conditions and competitive landscapes. In addition, our overseas operations expose us to geopolitical or macroeconomic uncertainties, which could adversely affect our operating results in these markets.

RISK FACTORS

Uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

The legal systems of some geographic markets where we operate are evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations may be subject to future implementations, and the application of some of these laws and regulations to our businesses may need further clarification. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards which may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims.

Furthermore, there are other circumstances where key regulatory definitions may not be entirely precise or clear, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect our business, financial condition and results of operations.

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

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

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

RISK FACTORS

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors and management.

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

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

We are subject to the currency exchange regulatory system.

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

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

Our operations are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our results of operations, financial performance and business prospects.

Holders of our H Shares may be subject to PRC income tax obligation.

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

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the IIT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income

RISK FACTORS

gained by individual foreigners from dividends and bonuses of enterprises with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

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

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

Despite the arrangements mentioned above, the applicable PRC tax laws and regulations, as well as the interpretation and application of existing applicable PRC tax laws and regulations may be evolving and subject to change. New taxes may be imposed which may materially and adversely affect the value of your investment in our H Shares.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and the liquidity and market price of our H Shares may be volatile.

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

RISK FACTORS

The [REDACTED] price of our H Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Chinese Mainland that have [REDACTED] their securities in Hong Kong may affect the volatility in the price of and [REDACTED] volumes for our H Shares. A number of Chinese Mainland-based companies have [REDACTED] their securities, and some are in the process of preparing for [REDACTED] their securities, in Hong Kong. The share price of some of these companies have experienced significant volatility, including significant price declines after their [REDACTED]. The [REDACTED] performances of the securities of these companies at the time of or after their [REDACTED] may affect the overall investor sentiment towards Chinese Mainland-based companies [REDACTED] in Hong Kong and consequently may impact the [REDACTED] performance of our H Shares. Pursuant to the applicable PRC law, within one year following the [REDACTED], all existing Shareholders (including the Pre-[REDACTED] Investors) could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and [REDACTED] volume of the H Shares in the short term following the [REDACTED] may be significantly affected. These factors may significantly affect the market price and volatility of our H Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our Shares in the public market could negatively affect the price of our Shares and our ability to raise additional capital in the future.

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

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

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

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

Immediately upon the completion of the [REDACTED], without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED], our Controlling Shareholders will control [REDACTED]% of our total issued share capital. Our Controlling Shareholders will, through their voting power at the Shareholders’ meetings and their delegates or positions on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our

RISK FACTORS

management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the approval of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as a part of a sale of our Company and may significantly reduce the price of our H Shares.

Our payment of dividends is subject to restrictions under applicable laws and regulations.

Our payment of dividends is subject to restrictions under applicable laws and regulations. For example, under the current PRC law, dividends may be paid only out of accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Moreover, we and each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund certain statutory reserves, except where such reserve has reached 50% of its registered capital. These reserves are not distributable as cash dividends. In addition, in the future, if any of our subsidiaries incurs debt on its own behalf, the instruments governing the debt may impose restrictions on its ability to pay dividends or other payments to our Company. The inability of our subsidiaries to distribute dividends or other payments to our Company could significantly affect the amount of liquidity available to supply the development and growth of our business.

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

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

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

This document, particularly the section headed “Industry Overview”, contains information and statistics relating to the Chinese-style QSR industry in China and internationally. Such information and statistics have been derived from various official governments and other publications and from a third-party report commissioned by us. However, we cannot guarantee the quality or reliability of information and statistics from official government sources. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], [REDACTED], [REDACTED], [REDACTED], any of our or their respective directors, officers or representatives or any other parties involved in the [REDACTED] and no representation is given as to their accuracy. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as or consistent with similar statistics presented elsewhere, and such information may not be complete or up-to-date. In any event, you should consider carefully the importance placed on such information or statistics.

RISK FACTORS

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

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