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Application Proof of

Guming Holdings Limited
古茗控股有限公司

(the "Company")

(A company incorporated in the Cayman Islands with limited liability)

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Good me

Guming Holdings Limited
古茗控股有限公司

(A company incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED]**
Nominal value	**:**	**US$0.00001 per Share**
[REDACTED]	**:**	**[REDACTED]**

Joint Sponsors, **[REDACTED]**

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The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. See "**[REDACTED]**" for further details.

Prior to making an **[REDACTED]** decision, prospective **[REDACTED]** should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors."

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IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. As this is a summary, it does not contain all the information that may be important to you. Moreover, there are risks associated with any [**REDACTED**]. Some of the particular risks of [**REDACTED**] in the [**REDACTED**] are set out in the section headed "Risk Factors." You should read the entire document carefully before you decide to [**REDACTED**] in the [**REDACTED**]. Various expressions used in this section are defined in the sections headed "Definitions."

OVERVIEW

We are a leading and fast-growing freshly-made beverage company in China, dedicated to serving fresh, tasty and value-for-money beverages of consistently high quality. Our brand, "*Good me* (古茗)," is China's largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges, in terms of both GMV in 2023 and store count as of December 31, 2023, according to the CIC Report. In 2023, we generated a gross merchandise value, or GMV, of RMB19.2 billion, representing an increase of 37.2% from 2022. Our store network encompassed 9,001 stores as of December 31, 2023, representing an increase of 35.0% from December 31, 2022, making us one of the top five freshly-made beverage brands globally in terms of store count as of December 31, 2023.

The chart below demonstrates the highlights of our business:

RMB19.2bn | 37% GMV[1] | YoY	**9,001 | 35%** Stores[2] | YoY	**53%** Average Quarterly Repurchase Rate[1]
9.4% Same-store GMV Growth[1]	**No. 1** Mid-priced Freshly-made Tea Store Brand in China[1,4]	**3.1** Stores per Franchisee on Average[3]
RMB376k Franchisees' Per-store Operating Profit[1]	**Largest** Cold-chain Supply Chain[4,5] | IT Team[4,6]	**79%** Stores in Tier 2 and Below Cities[2] **38%** Stores in Towns and Townships[2]

Notes:

(1) For the year ended December 31, 2023.

(2) As of December 31, 2023.

(3) Among the franchisees that had operated "*Good me*" stores for over two years as of September 30, 2023.

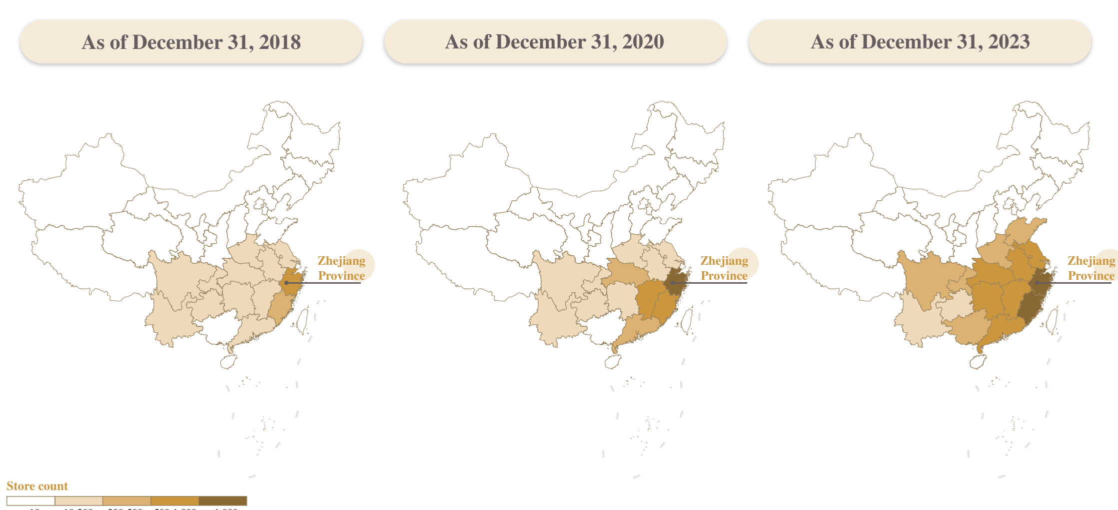
(4) According to the CIC Report.

(5) We operate the largest cold-chain warehousing and logistics infrastructure among China's freshly-made tea store brands as of September 30, 2023.

(6) Our information technology team consisted of over 300 engineers as of September 30, 2023, the largest among China's freshly-made tea beverage industry.

Over a decade ago, Mr. Yun'an Wang, our founder, opened the first "*Good me*" store in his hometown Daxi, a small town in Zhejiang. There, consumers had limited access to freshly-made tea beverages with fresh fruits and other quality ingredients, largely due to the underdeveloped supply chain infrastructure in these typical lower-tier markets. With a firm belief that the freshly-made beverage industry will evolve towards greater preference for fresh ingredients, Mr. Wang embarked on a journey to serve freshly-made tea beverages made from quality ingredients with short shelf-life distributed through our industry-leading cold-chain delivery. Along our way, the persistent efforts to serve lower-tier markets have given us deep consumer and market insights, which, together with our leading operating efficiency, enabled us to serve high-quality beverages at affordable prices for the daily consumption of consumers.

We have steadily expanded our store network under what we refer to as the regional densification strategy. We believe that operating a network of at least 500 stores in a province signifies a critical mass. Leveraging our experience and advantage in provinces with a critical mass, we strategically venture into neighboring provinces. We first reached a critical mass in Zhejiang, where we continued to grow and now operate over 2,000 stores. As of December 31, 2023, we had established provincewide networks with a critical mass in eight provinces, which collectively accounted for 87% of our GMV in 2023, and led us to become China's largest mid-priced freshly-made tea store brand. According to the CIC Report, for the nine months ended September 30, 2023, we captured over 25% of the overall GMV of the mid-priced freshly-made tea store markets in these eight provinces. In each of Zhejiang, Fujian and Jiangxi where we established store networks with a critical mass the earliest, we captured over 45% market share in the mid-priced market and achieved the highest market share in terms of GMV in the freshly-made tea store markets across all price ranges. As of December 31, 2023, we had presence in 15 provinces in China where we will continue to increase our store density, which, along with the 19 provinces where we had yet to have presence, provide us with ample room for growth. As we expand our store network, we maintained positive year-over-year same-store GMV growth in these eight provinces with dense store networks and nationwide during each of the three years ended December 31, 2023. The following graphs illustrate the steady expansion footprint of our store network and ample room for our further growth.



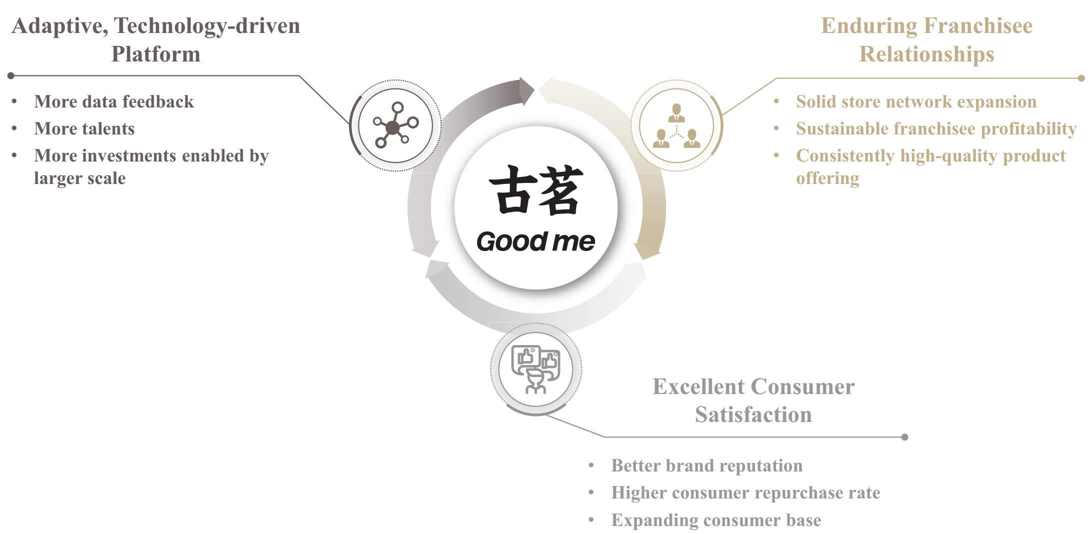
Under our regional densification strategy, we strategically allocate resources towards building store networks with high geographical density across all city tiers in target provinces. As of December 31, 2023, our store count in second-tier and below cities accounted for 79% of our total store count, the highest percentage as compared to those of the other top five mid-priced freshly-made tea store brands in China, according to the CIC Report. In addition, as of December 31, 2023, 38% of our stores were located in towns (鎮) and townships (鄉), which are administrative areas typically located away from downtown urban areas of cities. The percentage of our stores in these areas was the highest among the top five mid-priced freshly-made tea store brands in China.

The great density of our stores in a geographical area allows us to benefit from economies of scale. For example, our dense store network significantly enhances our warehousing and logistics efficiency. We provide cold-chain supply delivery to over 97% of our stores every two days upon request. Among the top 10 freshly-made tea store brands in China in terms of GMV in the nine months ended September 30, 2023, we are the only brand capable of frequent delivery of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities, according to the CIC Report. During the Track Record Period, the logistics cost for delivery from our warehouses to stores was approximately 0.9% of our total GMV on average, whereas the industry average was around 2% according to the CIC Report. Substantially all beverages on our menu are made from short-shelf-life fresh fruits, tea leaves and/or fresh milk that are stored and distributed through our cold-chain warehousing and logistics infrastructure, which is the largest in the industry.

We believe that the shared success of our franchisees is crucial for our business. In 2023, our franchisees' per-store operating profit reached RMB376 thousand and franchisees' per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period, according to the CIC Report. The strong performance of our stores leads to franchisees' strong willingness to open more "*Good me*" stores. As of September 30, 2023, among the franchisees that had operated "*Good me*" stores for over two years, each on average operated 3.1 stores and 75% operated two or more franchised stores. Sharing the perspective of longtermism, we have built close and enduring franchisee relationships. These relationships enable effective and efficient store operations and consistent high-quality product and service offerings, which further enhance consumer experience and improve store-level performance, thereby attracting more franchisees and solidifying franchisee relationships, forming a virtuous cycle.

Consistent with our slogan, "one cup a day, always enjoy it (每天一杯喝不膩)," we provide our consumers with a variety of innovative and value-for-money product offerings of consistently high quality. Leveraging our strong product development capabilities, we regularly launch new beverages to keep our offerings appealing. In the nine months ended September 30, 2023, we launched 107 beverages. While we frequently update our menu, we are capable of having tens of thousands of stores serve product offerings of consistent quality and taste, enabling "*Good me*" to become a popular brand among consumers. We have accumulated a loyal member base and recorded industry-leading repurchase rates. We had accumulated approximately 94 million registered members on our mini programs as of December 31, 2023 with over 36 million quarterly active members in the three months ended December 31, 2023. In 2023, our average quarterly repurchase rate reached 53%, far exceeding the average of below 30% among mid-priced freshly-made tea store brands in China, according to the CIC Report.

Our adaptive and technology-driven platform capabilities encompass digitalized and automated operations, food-science-centric research and development, and robust supply chain management. In particular, we built the largest information technology team in China's freshly-made tea beverage industry as of September 30, 2023 according to the CIC Report. Empowered by our platform capabilities, we have concurrently expanded our extensive store network, achieved sustainable franchisee profitability, and provided diverse product offerings with consistently high quality. Moreover, our powerful platform capabilities, the enduring franchisee relationships and elevated consumer satisfaction reinforce each other. The diagram below illustrates the positive feedback loop.



We generate revenue mainly from the sales of goods and equipment and the provision of services to our franchisees. We have experienced substantial growth during the Track Record Period. Our revenue increased by 26.8% from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022, and increased by 33.9% from RMB4,161.7 million for the nine months ended September 30, 2022 to RMB5,570.9 million for the same period in 2023. Our profit for the year/period was RMB24.0 million and RMB372.0 million in 2021 and 2022, respectively, and RMB275.5 million and RMB1,002.0 million for the nine months ended September 30, 2022 and 2023, respectively. Our adjusted profit (non-IFRS measure) was RMB769.6 million and RMB788.1 million in 2021 and 2022, respectively, and RMB603.2 million and RMB1,044.5 million for the nine months ended September 30, 2022 and 2023, respectively. For more details, see "Financial Information — Description of Major Components of Our Results of Operations — Non-IFRS Measures."

OUR COMPETITIVE STRENGTHS

We believe the following strengths position us well to capitalize on the opportunities in China's freshly-made tea store market:

- Largest brand in the fast-growing mid-priced freshly-made tea store market in China
- Solid store network expansion under our regional densification strategy
- Sustainable franchisee profitability and enduring franchisee relationships
- Diverse, consistent and high-quality product offerings, broadly embraced by consumers
- Our adaptive, technology-driven platform capabilities
- Diverse management relentlessly pursuing excellence, open and inclusive culture

OUR GROWTH STRATEGIES

We will continue to pursue the following strategies which will drive further growth:

- Expand our store network and solidify our industry-leading position
- Enhance our technologies to improve operating efficiency
- Continue to invest in product research and development to refine and expand our product offerings
- Strengthen our branding and consumer engagement efforts
- Enhance our supply chain capabilities

OUR STORE NETWORK AND STORE PERFORMANCE

Our stores are primarily operated under a franchise model. Our franchised stores contributed to approximately 99.9% of our GMV for the years ended December 31, 2021, 2022 and 2023. To a much lesser extent, we directly manage a few company-operated stores. As of December 31, 2023, we directly managed six company-operated stores.

We have steadily expanded our store network. Our store count reached 5,694 as of December 31, 2021, increased by 17.1% to 6,669 as of December 31, 2022, and further increased by 35.0% to 9,001 as of December 31, 2023. As we continually densified our store networks in various provinces, and amidst a volatile macroeconomic backdrop, we have been able to maintain positive same-store GMV growth in provinces with dense store networks and nationwide in the past three consecutive years. The following table sets forth our store count and same-store GMV growth in the periods indicated.

	For the Year Ended December 31,		
	2021	2022	2023
Zhejiang[1]			
Store count at period end	1,725	1,868	2,054
Same-store GMV growth (%)	15.2	3.3	5.1
Fujian and Jiangxi[1]			
Store count at period end	1,590	1,641	1,914
Same-store GMV growth (%)	7.4	3.2	12.0
Other five provinces with a critical mass[1]			
Store count at period end	1,689	2,349	3,317
Same-store GMV growth (%)	14.9	4.1	11.6
Nationwide			
Store count at period end	5,694	6,669	9,001
Same-store GMV growth (%)	12.0	2.8	9.4

Note:

(1) Zhejiang's store network reached a critical mass the earliest. The store networks in Fujian and Jiangxi reached a critical mass between 2019 and 2020. The store networks in other five provinces reached a critical mass between 2021 and 2023.

Our per-store GMV was RMB2.2 million in 2021, increased to RMB2.3 million in 2022, and further increased to RMB2.5 million in 2023. In particular, in 2023, our per-store GMV was RMB2.3 million in fourth-tier and below cities and was RMB2.4 million in towns and townships.

In 2023, our franchisees' per-store operating profit reached RMB376 thousand and franchisees' per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period, according to the CIC Report. In particular, in fourth-tier and below cities, our franchisees' per-store operating profit was RMB386 thousand in 2023, over 10 times of the annual disposable income per capita in these areas in 2022, bringing significant income for our franchisees' household.

PRODUCT OFFERINGS

We focus on the mid-priced freshly-made tea beverage market and we offer three categories of beverage offerings at "*Good me*" stores: (i) fruit tea beverages, (ii) milk tea beverages, and (iii) coffee beverages and others. Our fruit tea beverages are made with tea and a variety of fresh fruits, many with short shelf-life, and are characterized by their vibrant, refreshing tastes. Our milk tea beverages generally have a smooth and creamy flavor and can be served with tapioca pearls, or boba, and/or a range of other additional toppings. We also serve coffee beverages, including traditional coffee beverages, innovative beverages that combine coffee with tea or fresh fruits, and other offerings such as yogurt shakes, classic tea, bakery products and branded merchandise at our stores. During the Track Record Period, our product offerings' prices remained relatively stable, typically between RMB10 and RMB18.

OUR CUSTOMERS AND SUPPLIERS

Our customers are primarily our franchisees who operate our franchised stores and also include enterprise customers that purchase the products from our processing facilities such as blended tea leaves. During the Track Record Period, our revenue consisted primarily of proceeds from the sales of goods and equipment to our franchisees, and fees associated with the franchise management services we provided to our franchisees. For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, our five largest customers accounted for 3.2%, 3.1% and 3.2% of our total revenue, respectively. During the Track Record Period, we were not subject to any material customer concentration risk.

We procure a variety of goods and equipment, including ingredients such as fresh fruits, fruit juices, tea leaves, dairy and sugar products, packaging materials, and equipment such as tea brewers, ice machines and freezers. Purchases from our five largest suppliers accounted for 18.1%, 20.9% and 16.3% of our total purchase amount for the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, respectively. Our largest supplier accounted for 7.6%, 7.4% and 5.0% of our total purchase amount for the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, respectively.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this document. The summary financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRSs.

Summary of Consolidated Statements of Profit or Loss and Comprehensive Income

The following table sets forth a summary of our consolidated statements of profit or loss and comprehensive income in absolute amount and as a percentage of our revenue for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%
					(Unaudited)			
	(RMB in thousands, except percentages)							
Revenue	**4,383,901**	**100.0**	**5,559,222**	**100.0**	**4,161,679**	**100.0**	**5,570,882**	**100.0**
Cost of sales	(3,070,196)	(70.0)	(3,996,290)	(71.9)	(3,005,140)	(72.2)	(3,844,469)	(69.0)
Gross profit	**1,313,705**	**30.0**	**1,562,932**	**28.1**	**1,156,539**	**27.8**	**1,726,413**	**31.0**
Other income and gains	47,598	1.0	57,477	1.1	40,873	1.0	125,879	2.2
Selling and distribution expenses	(186,193)	(4.2)	(268,143)	(4.8)	(197,097)	(4.7)	(239,291)	(4.3)
Administrative expenses	(123,745)	(2.8)	(187,605)	(3.4)	(129,473)	(3.1)	(180,689)	(3.2)
Research and development expenses	(65,030)	(1.5)	(118,288)	(2.1)	(77,952)	(1.9)	(129,055)	(2.3)
Other expenses	(5,775)	(0.1)	(1,069)	(0.1)	(381)	(0.1)	(9,434)	(0.2)
Operating profit	**980,560**	**22.4**	**1,045,304**	**18.8**	**792,509**	**19.0**	**1,293,823**	**23.2**
Finance costs	(5,079)	(0.1)	(5,424)	(0.1)	(4,156)	(0.1)	(4,299)	(0.1)
Fair value changes of financial liabilities at fair value through profit or loss	(728,388)	(16.7)	(389,523)	(7.0)	(310,322)	(7.4)	(21,669)	(0.3)
Profit before tax	**247,093**	**5.6**	**650,357**	**11.7**	**478,031**	**11.5**	**1,267,855**	**22.8**
Income tax expense	(223,101)	(5.1)	(278,332)	(5.0)	(202,564)	(4.9)	(265,818)	(4.8)
Profit for the year/period	**23,992**	**0.5**	**372,025**	**6.7**	**275,467**	**6.6**	**1,002,037**	**18.0**
Total comprehensive income for the year/period	**23,992**	**0.5**	**392,307**	**7.1**	**290,915**	**7.0**	**1,002,229**	**18.0**
Total comprehensive income for the year/period attributable to:								
Owners of the parent	20,139	0.4	386,901	7.0	286,166	6.9	990,225	17.8
Non-controlling interests	3,853	0.1	5,406	0.1	4,749	0.1	12,004	0.2

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRSs.

The following table reconciles our adjusted profit (non-IFRS measure) for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is profit for the year/period.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2021	2022	2022	2023
			(Unaudited)	
	(RMB in thousands, except percentages)			
Reconciliation of profit for the year/period to adjusted profit (non-IFRS measure):				
Profit for the year/period	23,992	372,025	275,467	1,002,037
Add:				
Fair value changes of financial liabilities at fair value through profit or loss	728,388	389,523	310,322	21,669
Share-based payment expenses	17,226	24,476	17,389	18,981
[**REDACTED**]	–	2,080	–	1,815
Adjusted profit (non-IFRS measure)	769,606	788,104	603,178	1,044,502

We define adjusted profit (non-IFRS measure) as profit for the year/period, excluding fair value changes of financial liabilities at fair value through profit or loss, share-based payment expenses and [**REDACTED**]. We have made the following adjustments consistently during the Track Record Period:

- Fair value changes of financial liabilities at fair value through profit or loss mainly represent changes in the fair value of the redeemable ordinary shares, warrants and the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of financial liabilities at fair value through profit or loss after [**REDACTED**] as preferred shares liabilities will be re-designated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**].

- Share-based payment expenses represent the non-cash employee benefit expenses incurred in connection with our award to key employees. Such expenses in any specific period are not expected to result in future cash payments.

- [**REDACTED**] relate to this [**REDACTED**] of the Company, which is one-off in nature and is not directly related to our operating activities.

We exclude the items above because they are neither operating in nature nor indicative of our core operating results and business outlook. We believe that excluding these items provide [**REDACTED**] and management with more meaningful indicators to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.

The following table reconciles our adjusted EBITDA (non-IFRS measure) for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is profit for the year/period.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2021	2022	2022	2023
			(Unaudited)	
	(RMB in thousands, except percentages)			
Reconciliation of profit for the year/period to adjusted EBITDA (non-IFRS measure):				
Profit for the year/period	23,992	372,025	275,467	1,002,037
Add:				
Income tax expense	223,101	278,332	202,564	265,818
Finance costs	5,079	5,424	4,156	4,299
Depreciation and amortization	69,870	118,947	87,290	101,943
Fair value changes of financial liabilities at fair value through profit or loss	728,388	389,523	310,322	21,669
Share-based payment expenses	17,226	24,476	17,389	18,981
[**REDACTED**]	–	2,080	–	1,815
Less: Finance income	(2,181)	(5,375)	(3,662)	(35,583)
Adjusted EBITDA (non-IFRS measure)	1,065,475	1,185,432	893,526	1,380,979

We define adjusted EBITDA (non-IFRS measure) as profit for the year/period, excluding income tax expense, finance costs, finance income, depreciation and amortization, fair value changes of financial liabilities at fair value through profit or loss, share-based payment expenses and [**REDACTED**]. For the same reasons stated above, we have made the adjustments of fair value changes of financial liabilities at fair value through profit or loss, share-based payment expenses and [**REDACTED**].

We believe that adjusted profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) provide useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

Summary of Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
			(Unaudited)
		(RMB in thousands)	
Total non-current assets	675,961	867,109	980,395
Total current assets	1,367,539	2,164,567	3,291,605
Total assets	**2,043,500**	**3,031,676**	**4,272,000**
Total non-current liabilities	169,091	182,628	216,907
Total current liabilities	3,080,220	3,665,642	3,850,477
Total liabilities	**3,249,311**	**3,848,270**	**4,067,384**
Net (liabilities)/assets	**(1,205,811)**	**(816,594)**	**204,616**
Share capital	112	112	112
Reserves	(1,216,305)	(832,494)	176,712
Equity attributable to owners of the parent	**(1,216,193)**	**(832,382)**	**176,824**
Non-controlling interests	10,382	15,788	27,792
(Deficiency in assets)/Total equity	**(1,205,811)**	**(816,594)**	**204,616**

Summary of Consolidated Statements of Cash Flows

The following table sets forth our cash flows for the years/periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2021	2022	2022	2023
			(Unaudited)	
	(RMB in thousands)			
Net cash flows from operating activities	267,470	1,011,162	755,138	1,206,286
Net cash flows (used in)/from investing activities	(237,595)	(57,341)	3,357	(466,655)
Net cash flows (used in)/from financing activities	(42,860)	5,315	(48,503)	2,541
Net (decrease)/increase in cash and cash equivalents	(12,985)	959,136	709,992	742,172
Effect of foreign exchange rate changes, net	(1,325)	3,524	5,685	564
Cash and cash equivalents at the beginning of the year/period	166,118	151,808	151,808	1,114,468
Cash and cash equivalents at end of the year/period	**151,808**	**1,114,468**	**867,485**	**1,857,204**

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years/periods indicated.

	For the Year Ended December 31,		For the Nine Months ended September 30,
	2021	2022	2023
Adjusted profit margin (non-IFRS measure)(1)	17.6%	14.2%	18.7%
Adjusted EBITDA margin (non-IFRS measure)(2)	24.3%	21.3%	24.8%
Adjusted current ratio(3)	2.2	2.7	3.4
Adjusted quick ratio(4)	1.1	1.8	2.7

Notes:

(1) Adjusted profit margin (non-IFRS measure) represents adjusted profit (non-IFRS measure) as a percentage of the revenue for such year/period.

(2) Adjusted EBITDA margin (non-IFRS measure) represents adjusted EBITDA (non-IFRS measure) as a percentage of the revenue for such year/period.

(3) Adjusted current ratio represents current assets divided by the difference of current liabilities and financial liabilities at fair value through profit or loss at the end of year/period. Financial liabilities at fair value through profit or loss were excluded from the denominator since they are neither operating in nature nor indicative of our core operating results and business outlook. We do not expect to record any further fair value changes of such item after [**REDACTED**] as preferred shares liabilities will be reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**].

(4) Adjusted quick ratio represents the difference of current assets and inventories divided by the difference of current liabilities and financial liabilities at fair value through profit or loss at the end of year/period. Financial liabilities at fair value through profit or loss were excluded from the denominator since they are neither operating in nature nor indicative of our core operating results and business outlook. We do not expect to record any further fair value changes of such item after [**REDACTED**] as preferred shares liabilities will be reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**].

RISK FACTORS

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the country where we operate; and (iii) risks relating to the [**REDACTED**]. These risks include, among others, the following:

- Our future growth depends on our ability to expand and operate our store network. We may not be able to successfully enter new geographical markets or expand our presence in the existing markets.

- Our business relies heavily on consumer taste, consumption trends, preferences and perceptions of freshly-made tea beverages and we might not always accurately predict and timely adapt to market trends and consumer preferences.

- We may not be able to maintain or increase the sales and profitability of our stores.

- We operate in a highly competitive and rapidly changing market in China. We face intense competition in China's freshly-made beverage market. Any failure to compete effectively might negatively impact our market share and profitability.

- Any failure by us, our franchisee, suppliers or other business partners to maintain food safety and quality might materially and adversely affect our brand, business, and financial performance.

- Our business depends significantly on market recognition of our "*Good me*" brand, and any failure to maintain, protect and enhance our brand could materially and adversely impact our business and results of operations.

- Our extensive 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.

- Our operating history might not reflect our future growth or financial results. If we fail to manage our growth, our business and prospects may be materially and adversely affected.

LEGAL PROCEEDINGS AND COMPLIANCE

Save for a historical tax non-compliance incident, which we do not believe have had or will have a material adverse impact on our business operations or financial results, during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations applicable to us in all material respects concerning our operations. For details, see "Business — Legal Proceedings and Compliance."

[**REDACTED**] STATISTICS

All statistics in the following table are based on the assumptions that (i) the [**REDACTED**] has been completed and [**REDACTED**] are issued pursuant to the [**REDACTED**]; (ii) the [**REDACTED**] is not exercised; and (iii) each Preferred Share is converted into an Ordinary Share of our Company on a 1:1 basis immediately prior to the [**REDACTED**].

	Based on an [REDACTED] of HK$[REDACTED] per Share	**Based on an [REDACTED] of HK$[REDACTED] per Share**
Market capitalization of our Shares[1]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share[2]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

(1) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

(2) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as of December 31, 2022 is calculated after making the adjustments referred to in Appendix II and on the basis that [**REDACTED**] Shares are expected to be in issue immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

[**REDACTED**]

Based on the mid-point [**REDACTED**] of HK$[**REDACTED**], the total estimated [**REDACTED**] in relation to the [**REDACTED**] is approximately RMB[**REDACTED**], assuming no new Shares are issued under the [**REDACTED**]. During the Track Record Period, the [**REDACTED**] charged to consolidated statement of profit or loss and comprehensive income were RMB[**REDACTED**]. We estimate that we will incur [**REDACTED**] of RMB[**REDACTED**], of which RMB[**REDACTED**] will be charged to our consolidated statement of profit or loss and comprehensive income. The balance of approximately RMB[**REDACTED**], which mainly includes [**REDACTED**], is expected to be accounted for as a deduction from equity upon the completion of the [**REDACTED**].

USE OF [**REDACTED**]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**] range) and assuming no exercise of the [**REDACTED**], or HK$[**REDACTED**] if the [**REDACTED**] is exercised in full, after deducting [**REDACTED**] and [**REDACTED**] and other estimated [**REDACTED**] paid and payable by us in relation to the [**REDACTED**].

In line with our strategies, we plan to use the net [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], will be used to strengthen our information technology team and continue to digitalize our business management and store operations;

- approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], will be used to enhance our supply chain capabilities and improve our supply chain management efficiency;

- approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], will be used to strengthen our branding and consumer engagement efforts and implement diversified approaches to build our brand image and increase consumer awareness;

- approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], will be used to recruit additional employees for franchisee management as we continue to execute our regional densification strategy, strengthen our support for franchisees and further foster a close franchisee community;

- approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], will be used to recruit experts in product development and enhance our product development capabilities; and

- approximately [**REDACTED**] of the net [**REDACTED**], or approximately HK$[**REDACTED**], is expected to be used for working capital and other general corporate purposes.

See "Future Plans and Use of [**REDACTED**]" for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised and by virtue of the Acting-in-Concert Arrangement, Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan, through various intermediate holding companies, will together be interested in and control 1,728,260,872 Shares, representing approximately [**REDACTED**]% of our issued Shares. Therefore, Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan will constitute our Controlling Shareholders upon the [**REDACTED**]. See "Relationship with our Controlling Shareholders" for details.

PRE-[REDACTED] INVESTORS

We received equity financing from our Pre-[**REDACTED**] Investors to support our expanding business operations. Our Pre-[**REDACTED**] Investors consist of Long-Z, HongShan, Abbeay Street and Coatue 34. See "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investments" for details.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the [**REDACTED**] of, and permission to deal in, the Shares in issue (including the Preferred Shares to be converted into our Shares) and to be issued pursuant to the [**REDACTED**] (including any Shares which may be issued pursuant to the exercise of the [**REDACTED**]) and our Post-[**REDACTED**] Share Scheme.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

DIVIDEND POLICY

We did not declare or distribute dividends to our shareholders during the Track Record Period. We may pay cash dividends on our ordinary shares in the foreseeable future.

The decision on whether to pay dividends will be made at the discretion of our Directors and will depend upon, among others, the financial results, cash flows, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. As advised by our legal advisor on Cayman Islands law, Ogier, under the laws of the Cayman Islands, a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our shareholders as dividends may be declared and paid out of our share premium account notwithstanding our profitability, provided that this would not result in our Company being unable to pay debts as they fall due in the ordinary course of business.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends shall be paid only out of the profit for the year determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require our subsidiaries to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2023, being the end date of our latest consolidated financial statements, and there has been no event since September 30, 2023 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in "Glossary of technical terms."

"**Accountants' Report**"	the accountants' report of our Company, the text of which is set out in Appendix I
"**Acting-in-Concert Arrangement**"	the acting-in-concert agreement entered into by Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, Modern Leaves Limited, Ancient Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Cousin Tea Limited, Uncle Tea Limited, Spring Equinox Drinks Limited and Winter Solstice Drinks Limited on April 14, 2022 acknowledging and confirming that, among other things, they are parties acting in concert since April 14, 2022 at any meeting of our Group where each of them and/or the directors appointed by them is entitled to vote on corporate matters as shareholders or directors and the deed of adherence to the acting-in-concert agreement entered into by Nascent Leaves Limited, Chivalrous Knights Limited, Nephew Tea Limited and Summer Solstice Drinks Limited dated December 27, 2023, details of which are set out in the section headed "History, Reorganization and Corporate Structure — Acting-in-Concert Arrangement" of this document
"**affiliate(s)**"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"**AFRC**"	Accounting and Financial Reporting Council of Hong Kong
"**Articles**" or "**Articles of Association**"	the third amended and restated articles of association of our Company conditionally adopted on [●] with effect from the [**REDACTED**], a summary of which is set out in "Summary of the Constitution of Our Company and Company Laws of the Cayman Islands" in Appendix III
"**associate(s)**"	has the meaning ascribed to it under the Listing Rules
"**Board**"	the board of Directors

"**business day**"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"**BVI**"	the British Virgin Islands
"**CAC**"	the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)

[**REDACTED**]

"**Cayman Companies Act**" or "**Companies Act**"	the Companies Act, Cap. 22 (As Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"**China**" or "**the PRC**"	the People's Republic of China, and for the purpose of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"**CIC**"	China Insights Industry Consultancy Limited (灼識企業管理諮詢(上海)有限公司), a market research and consulting company, which is an independent third party
"**CIC Report**"	the report prepared by CIC
"**close associate**"	has the meaning ascribed to it under the Listing Rules
"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Company**," "**our Company**," "**the Company**," "**we**," "**our**" or "**us**"	Guming Holdings Limited (古茗控股有限公司), a company with limited liability incorporated in the Cayman Islands on August 31, 2021
"**connected person(s)**"	has the meaning ascribed to it under the Listing Rules
"**connected transaction(s)**"	has the meaning ascribed to it under the Listing Rules
"**Controlling Shareholder(s)**"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, and the intermediate holding companies through which they are interested in our Shares, namely Modern Leaves Limited, Ancient Leaves Limited, Nascent Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Chivalrous Knights Limited, Cousin Tea Limited, Uncle Tea Limited, Nephew Tea Limited, Spring Equinox Drinks Limited, Winter Solstice Drinks Limited and Summer Solstice Drinks Limited
"**CSRC**"	China Securities Regulatory Commission (中國證券監督管理委員會)
"**Director(s)**"	the director(s) of our Company

[**REDACTED**]

"**EIT**"	Enterprise income taxation
"**Extreme Conditions**"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

[**REDACTED**]

"**Governmental Authority**"	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
"**Group**," "**our Group**," "**the Group**," "**we**," "**us**," or "**our**"	our Company and our subsidiaries from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"**Guming Technology**"	Guming Technology Group Co., Ltd. (古茗科技集團有限公司), a limited liability company established in the PRC on June 12, 2018 and a wholly-owned subsidiary of our Company

[**REDACTED**]

"**HK**" or "**Hong Kong**"	the Hong Kong Special Administrative Region of the People's Republic of China

[**REDACTED**]

[**REDACTED**]

"**Hong Kong dollars**" or "**HK dollars**" or "**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"**Hong Kong Takeovers Code**" or "**Takeovers Code**"	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

[**REDACTED**]

"**IFRS**"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"**independent third party(ies)**"	any entity or person who is not a connected person of our Company within the meaning ascribed to it under the Listing Rules

[**REDACTED**]

[**REDACTED**]

"**Joint Sponsors**"	Goldman Sachs (Asia) L.L.C. and UBS Securities Hong Kong Limited
"**Latest Practicable Date**"	[December 28, 2023], being the latest practicable date for ascertaining certain information in this document before its publication
"**Laws**"	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions

[**REDACTED**]

"**Listing Committee**"	the Listing Committee of the Stock Exchange

[**REDACTED**]

"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"**M&A Rules**"	the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》)

"**Main Board**"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"**Memorandum**" or "**Memorandum of Association**"	the third amended and restated memorandum of association of our Company conditionally adopted on [●], with effect from the [**REDACTED**], as amended from time to time, a summary of which is set out in "Summary of the Constitution of Our Company and Company Laws of the Cayman Islands" in Appendix III
"**MOF**"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"**MOFCOM**"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"**Mr. Qi**"	Mr. Xia Qi (戚俠先生), an executive Director, the president of our Company and one of our Controlling Shareholders
"**Mr. Ruan**"	Mr. Xiudi Ruan (阮修迪先生), an executive Director and one of our Controlling Shareholders
"**Mr. Wang**" or "**Founder**"	Mr. Yun'an Wang (王雲安先生), founder of our Group, Chairman of the Board, an executive Director, the chief executive officer of our Company and one of our Controlling Shareholders
"**Ms. Pan**"	Ms. Pingping Pan (潘萍萍女士), one of our Controlling Shareholders
"**NDRC**"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

[**REDACTED**]

"**PBOC**"	People's Bank of China (中國人民銀行)
"**Post-[REDACTED] Share Scheme**"	the share incentive plan approved and adopted by our Company in [●], and amended from time to time, the principal terms of which are set out in "Statutory and General Information — Post-[**REDACTED**] Share Scheme" in Appendix IV
"**PRC Legal Advisor**"	Shihui Partners, our legal advisor on PRC law
"**Pre-[REDACTED] Investment(s)**"	the investments in our Company undertaken by the Pre-[**REDACTED**] Investors, the details of which are set out in "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investments"

DEFINITIONS

"**Pre-**[**REDACTED**] **Investor(s)**"	the investors set out in "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investments — Information on the Pre-[**REDACTED**] Investors"

[**REDACTED**]

"**QIB**"	a qualified institutional buyer within the meaning of Rule 144A
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**RMB**" or "**Renminbi**"	Renminbi, the lawful currency of China
"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**SAFE**"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"**SAIC**"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"**SAMR**"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"**SAT**"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"**SCNPC**"	the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)

"**Series A Preferred Share(s)**" or "**Preferred Share(s)**"	Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series A-3 Preferred Shares, and Series A-4 Preferred Shares
"**Series A-1 Preferred Share(s)**"	the Series A-1 preferred shares of the Company with par value of US$0.00001 each
"**Series A-2 Preferred Share(s)**"	the Series A-2 preferred shares of the Company with par value of US$0.00001 each
"**Series A-3 Preferred Share(s)**"	the Series A-3 preferred shares of the Company with par value of US$0.00001 each
"**Series A-4 Preferred Share(s)**"	the Series A-4 preferred shares of the Company with par value of US$0.00001 each
"**SFC**"	Securities and Futures Commission of Hong Kong
"**SFO**" or "**Securities and Futures Ordinance**"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Share(s)**" or "**Ordinary Share(s)**"	ordinary share(s) in the share capital of the Company with par value of US$0.00001 each
"**Shareholder(s)**"	holder(s) of our Share(s)

[**REDACTED**]

"**State Council**"	State Council of the PRC (中華人民共和國國務院)
"**Stock Exchange**" or "**Hong Kong Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**subsidiary**" or "**subsidiaries**"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"**substantial shareholder(s)**"	has the meaning ascribed to it in the Listing Rules
"**Track Record Period**"	each of the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023

[**REDACTED**]

[**REDACTED**]

"**United States**," "**U.S.**" or "**US**"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"**U.S. dollars**," "**US dollars**" or "**US$**"	United States dollars, the lawful currency of the United States
"**U.S. Securities Act**"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"**VAT**"	value-added tax
"**%**"	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

The English names of PRC entities, PRC laws or regulations, and PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This glossary contains definitions of certain technical terms used in this document in connection with us and our business. These may not correspond to standard industry definitions, and may not be comparable to similarly terms adopted by other companies.

"**active members**"	members that placed at least one order through one of our mini programs or over the counter in a given period
"**administrative area**"	According to the Ministry of Civil Affairs of the PRC, China is divided geographically into (i) province-level regions (省級行政區), including primarily provinces (省) and municipalities (直轄市), (ii) prefecture-level areas (地級行政區), including primarily prefecture-level cities (市) and autonomous prefectures (自治州), (iii) county-level areas (縣級行政區), including primarily counties (縣), districts (市轄區) and county-level cities (縣級市), and (iv) township-level areas (鄉級行政區), including primarily towns (鎮), townships (鄉) and subdistricts (街道)
"**CAGR**"	compound annual growth rate
"**CIC Consumer Survey**"	a survey conducted by CIC in November 2023 among 1,000 consumers across China's various city tiers in provinces where there were at least 500 "*Good me*" stores as of September 30, 2023. Surveyed consumers, among other criteria, consumed freshly-made tea beverages at least four times per month during the six months prior to taking the survey
"**cold-chain**"	a temperature-controlled supply chain infrastructure comprising refrigerated warehousing and logistics facilities supported by equipment that can constantly maintain the required low-temperature range
"**critical mass**"	in the context of discussing our regional densification strategy, a province or the store network in a province achieving "critical mass" refers to at least 500 "*Good me*" stores opened in the province
"**first-tier cities**"	Beijing, Shanghai, Guangzhou and Shenzhen
"**fourth-tier and below cities**"	all prefecture-level areas in China excluding first-tier cities, new first-tier cities, second-tier cities and third-tier cities

"**franchisees' per-store operating profit**" calculated by multiplying our franchisees' per-store daily operating profit by 365. The franchisees' per-store daily operating profit is calculated by dividing the total estimated operating profit of our franchised stores in a given year by the aggregate of the number of days that each of our franchised stores could be open for business in the given year, which is measured by the number of days from (i) the latter of a store's launch day and the first day of the year, to (ii) the earlier of a store's closure day and the last day of the year. Launch day refers to the first day a newly launched store is open for business

The total estimated operating profit of our franchised stores in a given year is calculated by removing, from the net proceeds from our franchised stores' product sales, as recorded in our system, (i) our franchised stores' total cost of ingredient supplies, being our franchisees' procurement amount for the goods purchased from us, (ii) our franchised stores' rental cost as recorded in our system based on the numbers reported to us by our franchisees, (iii) our franchised stores' total labor cost being the actual salary cost as reported to us by our franchisees, or store-specific estimates, and (iv) our franchised stores' total estimated utility and miscellaneous expenses, which are store-specific estimates. Some data collected from our franchisees have not been independently verified by us

"**franchisees' per-store operating profit margin**" calculated by dividing our franchisees' per-store operating profit by their net proceeds from product sales, as recorded in our system

"**GMV**" gross merchandise value

"**key opinion leader**" or "**KOL**" an influential individual on a social platform that consumers trust with purchasing decisions and popular opinions

"**market share of China's mid-priced freshly-made tea store market in 2023**" with respect to our market share in China's mid-priced freshly-made tea store market in 2023, whether nationwide or in a given geographical region, the percentage is calculated by dividing (i) our total GMV in 2023, by (ii) the estimated total GMV of the mid-priced freshly-made tea store market in China in 2023, according to the CIC Report

"**new first-tier cities**"	Chengdu, Xi'an, Wuhan, Suzhou, Zhengzhou, Chongqing, Hangzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Hefei, Kunming and Qingdao
"**per-store GMV**"	calculated by multiplying the per-store daily GMV by 365. The per-store daily GMV is calculated by dividing the total GMV generated by our stores in a given year by the aggregate of the number of days that each of our stores could be open for business in the given year, which is measured by the number of days from (i) the latter of a store's launch day and the first day of the year, to (ii) the earlier of a store's closure day and the last day of the year. Launch day refers to the first day a newly launched store is open for business
"**presence**"	in the context of discussing our regional densification strategy, establishing "presence" in a province refers to at least 10 "*Good me*" stores opened in the province
"**province(s)**"	unless stated otherwise, means China's province-level regions (省級行政區) according to the Ministry of Civil Affairs of the PRC
"**repurchase rate**"	calculated by dividing, among those that had become our registered members before the first day of a given period, (i) the number of our members that placed at least two orders through our mini programs or over the counter in a given period, by (ii) the number of our active members in the same period
"**same-store GMV growth**"	the percentage difference in GMV generated by same stores between a given period and the prior period. Same stores are stores that have been launched prior to the first day of the prior period and have not been permanently closed as of the last day of the given period
"**second-tier cities**"	Foshan, Shenyang, Jinan, Wuxi, Xiamen, Fuzhou, Wenzhou, Jinhua, Harbin, Dalian, Guiyang, Nanning, Quanzhou, Shijiazhuang, Changchun, Nanchang, Huizhou, Changzhou, Jiaxing, Xuzhou, Nantong, Taiyuan, Baoding, Zhuhai, Zhongshan, Taizhou, Linyi, Weifang, Shaoxing and Yantai

"**store(s)**" or "**our stores**" — in the context of describing our store network, "stores" or "our stores" include our franchised stores and company-operated stores, unless explicitly stated otherwise

"**third-tier cities**" — Anqing, Anyang, Bengbu, Cangzhou, Changde, Chaozhou, Chuzhou, Dezhou, Fuyang, Ganzhou, Guilin, Haikou, Handan, Hengyang, Heze, Hohhot, Huai'an, Huanggang, Huzhou, Jiangmen, Jieyang, Jingzhou, Jining, Jiujiang, Langfang, Lanzhou, Lianyungang, Liaocheng, Liuzhou, Lu'an, Luoyang, Mianyang, Nanchong, Nanyang, Ningde, Putian, Qingyuan, Sanya, Shangqiu, Shangrao, Shantou, Suqian, Suzhou, Tai'an, Taizhou, Tangshan, Urumqi, Weihai, Weinan, Wuhu, Xiangyang, Xianyang, Xingtai, Xinxiang, Xinyang, Yancheng, Yangzhou, Yichang, Yichun, Yinchuan, Yueyang, Zhangzhou, Zhanjiang, Zhaoqing, Zhenjiang, Zhoukou, Zhumadian, Zhuzhou, Zibo and Zunyi

"**towns and townships**" — when used together, towns and townships refer to all of China's township-level administrative areas excluding subdistricts (街道), which are typically located in relatively developed, downtown urban areas

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as "will," "expect," "anticipate," "estimate," "believe," "going forward," "ought to," "may," "seek," "should," "intend," "plan," "projection," "could," "vision," "goals," "aim," "aspire," "objective," "target," "schedules" and "outlook") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our goals and strategies;
- our future business development, financial condition and results of operations;
- expected changes in our revenues, expenses or expenditures;
- the expected growth of the freshly-made beverage market in China;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationship with franchisees;
- competition in our industry;
- general economic and business conditions in China and elsewhere;
- government policies and regulations relating to our industry;
- the outcome of any current and future legal or administrative proceedings; and
- all other risks and uncertainties described in the section headed "Risk Factors."

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution [**REDACTED**] against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

An [**REDACTED**] in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [**REDACTED**] in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The [**REDACTED**] of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your [**REDACTED**].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information is given as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the country where we operate; and (iii) risks relating to the [**REDACTED**]. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our future growth depends on our ability to expand and operate our store network. We may not be able to successfully enter new geographical markets or expand our presence in the existing markets.

During the Track Record Period, we generated substantially all of our revenue from the sales of goods and equipment and the provision of management services 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.

In terms of new geographical markets, any additional new 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. To increase our brand awareness in new geographical markets, we might need to invest more in advertising and promotional activities than originally planned. If we cannot successfully enter these new geographical markets or if there is a delay in our expansion in these markets, our business, financial position, and results of operations might be adversely affected.

For existing geographical markets, as we increase our store density in select provinces, we will also need to enhance our supply chain infrastructure in these provinces to meet the growing market demand, while maintaining the high quality and freshness of the ingredients for our beverages. 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 to instead 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.

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

Our business relies heavily on consumer taste, consumption trends, preferences and perceptions of freshly-made tea beverages and we might not always accurately predict and timely adapt to market trends and consumer preferences.

Consumer taste, consumption patterns, and perceptions greatly influence the growth of the freshly-made tea beverage market in China. Since our store sales directly affect our revenue and profit, any shift in consumer preferences or a decrease in the consumption of freshly-made tea beverages in China could decrease our store sales, harming our business.

While we consistently monitor market trends to develop new products and enhance existing ones, consumer tastes change frequently. Our offerings may not always align with their preferences. We cannot guarantee our ability to consistently adapt to market trends and evolving consumer tastes. Any failure to predict, understand, and adjust to these changes could result in decreased consumer interest and demand for our products, which could negatively impact our business, financial standing, and operational results.

Consumer health or dietary preferences, like concerns over calorie, caffeine, and sugar intake, could also affect our business. For example, there is a growing consciousness about calorie intake, which is why we introduce products with reduced sugar to cater to those seeking healthier beverage choices. Similarly, as caffeine becomes a point of consideration for many, we offer beverages with varied caffeine content to suit those seeking both low and high-caffeine options. In light of the shift in consumer preference towards fresh ingredients, our fruit tea beverages are made with fresh fruits to bring out the natural flavors of fruits. However, even if we accurately predict and adjust to these shifts, we cannot assure that our new products will meet their preferences. If we cannot timely adapt to changes in consumer health or dietary preferences, or if competitors address these changes more timely or effectively, our business and financial health could suffer. Negative publicity, whether related to our products or not, concerning the health effects of ingredients, could also adversely impact our business and operational results.

We may not be able to maintain or increase the sales and profitability of our stores.

The sales and profitability of our stores would also affect the growth of our business and remain as key factors affecting our revenue and profit. Factors such as diverse product offerings, quality of products, service quality of staff, consumer experience, delivery options and prime store locations with high consumer traffic can influence these outcomes. Furthermore, the operations of our franchisees can considerably impact our brand reputation and store sales. There is no guarantee that our stores' sales growth and profitability will consistently align with our expectations. Should they fail to meet our expectations or experience a downturn, our business, financial status, and results of operations could be materially and adversely affected. Furthermore, our brand value may be harmed and we may encounter difficulties in attracting new franchisees.

Moreover, our strategy to broaden our footprint and densify our store network in existing geographical markets may inadvertently lead to competition among our franchisees. Establishing new stores near existing ones might result in the diversion of consumer traffic, potentially diminishing the sales performance of our established locations. While we currently have measures in place to evaluate the potential cannibalization effect and have managed to achieve positive same-store GMV growth, there is no guarantee that these measures are, or can always be, effective. As our expansion continues, these competitive pressures could dampen our overall sales growth, thereby affecting our business, financial condition, and operational results.

We operate in a highly competitive and rapidly changing market in China. We face intense competition in China's freshly-made beverage market. Any failure to compete effectively might negatively impact our market share and profitability.

The freshly-made beverage market in China is highly competitive and rapidly evolving. We face intense competition from other freshly-made tea store 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 may fail to compete effectively against, or be outperformed by, other freshly-made tea stores. 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 beverages, 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. Although we have accumulated a large and diverse consumer base, there is no assurance that we will continue to do so 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.

Any failure by us, our franchisee, suppliers or other business partners to maintain food safety and quality might materially and adversely affect our brand, business, and financial performance.

Ensuring the food safety and quality of our products is vital to our success and reputation. In particular, our business is susceptible to food or beverage-borne illnesses, health epidemics, and other outbreaks. Given the extent of our operations and the growth of our store network, upholding food safety and quality of our products significantly depends on the effectiveness of our quality control system. This effectiveness is contingent on several factors: the design of our quality control system, our ability to ensure that our franchisees, staff in our stores, third-party suppliers, or other business partners, such as warehousing and logistics service providers, involved in our operations adhere to our quality assurance policies and guidelines, and our capability to monitor potential violations of our quality control system effectively. For more information, refer to "Business — Quality Control and Safety Protocols."

However, there is no guarantee that our quality control system will always be effective, nor can we ensure that we can identify all flaws in our quality control system in a timely manner. We might not be able to ensure that our employees, franchisees, staff in franchised stores, third-party suppliers, or other business partners consistently adhere to our internal policies and guidelines. In addition, we cannot guarantee that our internal controls and training will be fully effective in preventing food or beverage-borne illnesses. The quality of goods or services provided by these parties can be influenced by factors beyond our control. Our reliance on third-party suppliers, franchisees and staff in the franchised stores may subject us to the risk of food or beverage-borne illness incidents, as the operations of third-party suppliers and franchised stores are outside our control. There is also a possibility of multiple locations being affected instead of just one store. Moreover, the operations of our stores involve the handling, processing and storage of food and beverages. There is no assurance that these procedures will be completed properly, which may subject our stores to risks of food or beverage-borne illnesses. Any significant breakdown or deterioration of our quality control systems, or any failure to prevent food safety issues might materially and adversely impact our reputation, financial condition, and results of operations. We may be generally responsible for compensation on consumers' loss even if the contamination of food and beverage 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 may seek indemnification from the responsible parties afterwards, the indemnification may not be sufficient and our reputation could still be adversely affected.

There have been, and there might continue to be, negative incidents and publicity related to food safety issues in our stores. In addition, instances or reports, whether true or not, of food or beverage-safety issues such as food or beverage-borne illnesses, tampering, adulteration, contamination, or mislabeling during growing, manufacturing, packaging, transportation, storage, or preparation, failures in employee or store staff hygiene and cleanliness, or improper employee or store staff conduct have previously severely damaged the reputations of companies in the food and beverage sectors. Any report linking us to such instances could significantly reduce our sales and could potentially lead to liability claims, litigation, and/or temporary store closures. Furthermore, issues of food or beverage safety, even those involving only the stores of our competitors or suppliers (regardless of whether we currently or previously used those suppliers), could, due to resulting negative publicity about us or the freshly-made beverage industry in general, adversely affect our sales on a regional or national level. Consequently, we could face public scrutiny primarily concerning the food safety and quality of our products. Critiques, complaints, and negative media coverage, regardless of their veracity, could result in unfavorable publicity. This might result in damage to our reputation and brand and could negatively affect our business and prospects. A decline in consumer traffic due to food or beverage-safety concerns, negative publicity, temporary store closures, product recalls, or food or beverage-safety claims or litigation could materially harm our business and operational results.

Our business depends significantly on market recognition of our "*Good me*" brand, and any failure to maintain, protect and enhance our brand could materially and adversely impact our business and results of operations.

We believe that the success of our business depends substantially on the recognition of our "*Good me*" brand among consumers, which has helped us manage our costs of consumer acquisition and retention and has also contributed to the growth and success of our business. Therefore, maintaining, protecting and enhancing the recognition of our brand is vital to our business and competitive advantage in the industry. Any actual or perceived contamination, spoilage or other product mislabeling or tampering may lead to the erosion of our brand and damage our brand value, regardless of its merits.

Many factors, some of which are beyond our control, are important to maintaining, protecting and enhancing our brand. These factors include but not limited to our ability to:

- maintain the quality and attractiveness of our existing products and develop new products that address consumers' needs;
- deliver a pleasant consumer experience;
- enhance brand awareness through marketing and brand promotion activities;

- maintain mutually beneficial relationship and retain favorable terms with our franchisees, suppliers, service providers and other business partners;

- ensure compliance with relevant laws and regulations;

- compete effectively against current and future competitors; and

- preserve our reputation and goodwill, especially in the event of any negative publicity on our products, services, data security, or other issues affecting us or China's food and beverage sector in general.

Our brand's strength is vital as we expand our store network and increase our geographical presence. Maintaining consistent product quality and consumer trust becomes increasingly challenging with this growth. If the public perceives, even incorrectly, that we or other industry participants do not uphold high standards, our reputation could suffer, thus reducing our brand value. This perception could hinder our ability to attract and retain customers, which would negatively impact our business and financial outcomes.

Furthermore, we have observed instances where others imitate our brand, potentially misleading consumers. While we are not directly accountable for the actions of these imitators, any inferior products sold under misleadingly similar names could tarnish our brand image. This deception could lead to decreased financial performance and increased efforts and costs to combat such imitations. Although we have measures in place to combat imitations, such as procedures for consumers to report unauthorized uses of our brand or counterfeit products, and having our legal team monitor and handle imitations and counterfeiting issues, there is no guarantee that such measures are, or will always be effective. Any failure to address these challenges could significantly affect our business's overall health. See also "— We may not be able to adequately protect our intellectual property, which could harm our brand value and adversely affect our business and results of operation."

Our extensive 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, 2021, 2022 and 2023, we had 2,381, 2,949 and 4,614 franchisees, respectively, and 5,689, 6,664 and 8,995 franchised stores, respectively. Therefore, our business operation depends heavily on the success of, and 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 our franchise business model, each of which may impact our revenue generation, harm our brand image, and may 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, including the revenue generated from the sales of goods and equipment and franchise management services. Our financial performance is highly dependent on our franchisees' sales growth. If they do not achieve expected sales, our revenue and profit margins could be negatively affected. Moreover, if sales trends decline for our franchisees, it might result in store closures, delayed payments, or reduced payments to 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 major initiatives. These initiatives, such as marketing and promotional activities, may involve additional cost and might be more beneficial in the long term. There is no assurance that our franchisees will always implement these initiatives, align with our visions 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's image and reputation could suffer, which in turn could hurt our business and results of operation. Our contractual rights and remedies might be limited, potentially costly to exercise, or subject to litigation.

- *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 might increase the costs for our franchisees and affect their profitability. This could limit funds available for fees to us, renovations, store development, or the renewal of their agreements with us, which in turn could adversely affect our business and operating results and may have negative impact on our brand image.

If any of our franchisees defaults under our agreements or commits misconducts, they may not be in a position to compensate us sufficiently for losses that we 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 our franchisees. While we may take action to terminate our relationship with these 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 operational results.

Our operating history might not reflect our future growth or financial results. If we fail to manage our growth, our business and prospects may be materially and adversely affected.

We have achieved rapid growth with over 9,000 stores covering approximately 200 cities across all city tiers as of December 31, 2023. However, our operating history may not serve as an adequate basis for evaluating our prospects and operating results, and our historical growth may not be indicative of our future growth or financial performance. There is no assurance that we will be able to maintain our historical growth rates in future periods. Our growth rates may decline for a variety of reasons, and some of them are beyond our control, including 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. We will continue to expand our store network and enrich our product offerings to further increase our consumer base and enhance the consumer experience. However, our 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, [**REDACTED**] perceptions of our business and prospects may be adversely affected, and the [**REDACTED**] of our Shares could decline.

The expansion of our store network may place substantial demands on our management and our operational, technological, labor, and other resources. Our expansion will also place significant demands on us to maintain consistent food and service quality and preserve our reputation to ensure that our brand 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.

Pandemics, extreme weather conditions, natural disasters, pests and 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. Perishable fruits and other food ingredient 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 operation. For more details of the impact of COVID-19 on our business, see "Financial Information — Impact of COVID-19." 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.

We face the risk of fluctuations in the cost, availability and quality of our supplies, which could adversely affect our results of operations.

Our supplies, including ingredients for our tea beverages and coffee beverages, such as fresh fruits, fresh juices, tea leaves and dairy products, are crucial to the operation of our stores. Any fluctuation in the market prices of our supplies may result in material changes in our cost of goods and equipment, which, in turn, could adversely affect our business and results of operations. Our cost of sales of goods and equipment accounted for 67.3% and 68.4% of our total revenue in 2021 and 2022, respectively, and 68.9% and 65.3% of our total revenue for the nine months ended September 30, 2022 and 2023, respectively. In addition, as fruits and most of our supplies have relatively short shelf-life, frequent and timely supply of these products remains important to our operations. In particular, for certain seasonal fruits whose prices may vary significantly throughout the year, we also preemptively limit the extent of the fluctuations by locking in our procurement quantity and purchase prices of some of our ingredients in our procurement agreement with suppliers, sometimes as far as one year in advance. However, there is no guarantee that these measures would be effective to secure sufficient supplies or to control our cost of goods. Shortages of one or more of the supplies for our menu items could force our stores to remove items from the menus, which may cause consumers to purchase similar products from our competitors. Furthermore, the cancellation of our supply arrangements by our suppliers or the disruptions, delay or inability of these suppliers to deliver our supplies may materially and adversely affect our results of operations if we fail to timely secure alternative sources. Lack of availability of these products, whether due to shortages in supply, delays or interruptions in processing, failure of timely delivery or otherwise, could interrupt our operations and adversely affect our financial results.

In addition, the quality and safety of the products offered in our stores is a key factor to our success. If we fail to effectively implement quality control measures on the sourcing, storage and the use of our supplies, the quality of our products would be negatively affected and we may lose some of our existing consumers and fail to attract new consumers, which may materially and adversely affect our results of operations.

Our business operation depends on third-party suppliers and other business partners to provide supplies and services to us, and the loss of any of these suppliers or other business partners, or any significant interruption in the operations of our third-party suppliers and other business partners may negatively impact our business.

Our business operation depends on third-party suppliers and other business partners to provide supplies and services to us. For details of our supply chain management, see "Business — Supply Chain Management." Any interruptions to their operations, any failure of our suppliers to accommodate our fast business growth, any termination or suspension of our supply arrangements, any change in cooperation terms, any deterioration of cooperative relationships, or any disputes with our third-party suppliers or other business partners may materially and adversely affect our results of operations. For instance, a significant interruption in the operations of our suppliers could cause a delay or temporary shortage of supplies for our tea beverages. A significant interruption in the operations of our internet service provider could impact the operation of our online operations. In addition, our competitors may be more effective in providing incentives to our suppliers to prioritize their orders in case of supply shortage. We cannot assure you that we would be able to find replacement suppliers with commercially reasonable terms or on a timely manner. In the event of a loss of any suppliers or other business partners, our operations could be interrupted and we may incur additional costs in identifying other suitable suppliers or business partners. If we could not solve the impact of the interruptions of the operations of or cooperation with our third-party suppliers or other business partners, our business operations and financial results may be materially and adversely affected.

We may not be able to effectively manage our inventory, which may materially and adversely affect our results of operations, financial condition and liquidity.

Our inventories mainly include ingredients such as fresh fruits, fruit juices, tea leaves, dairy and sugar products, and packaging materials. Managing our inventory effectively is essential to our operations. We base our purchasing decisions on demand forecasts for varied goods and work to manage our inventory accordingly. However, this demand can shift between the time of order and the intended sale date. Multiple factors can influence this demand, including seasonality, product launches, pricing strategies, potential product defects, and evolving consumer behaviors and preferences. It is also possible that our franchisees may not order products in the quantities we have predicted. In addition, when we procure a new kind of fresh fruit for a new product, our demand forecasts may not align with the consumer acceptance of our new products and it may be challenging for us to accurately predict demand for the fruit.

As we continue to enrich our product offerings, we foresee an increase in ingredient variety for our tea beverages, complicating our inventory management process. There is no certainty that our inventory levels will always match consumer and franchisees' demands, which may adversely affect our sales. Ineffectual inventory management could expose us to risks like inventory obsolescence, a decline in inventory value, and significant inventory write-offs. These challenges may materially and adversely affect our business, results of operations and financial condition. If we miscalculate product demand, or if there are lapses in our suppliers' timely provision of quality ingredients, inventory shortages might ensue. These shortages could erode brand loyalty, lead to revenue loss, and jeopardize our business reputation, negatively affecting our operations, financial position, and overall liquidity.

We may incur significant costs in connection with our marketing and promotional efforts, which may not be as effective as expected and therefore negatively impact our results of operations.

We continuously invest in comprehensive marketing and promotional activities, spanning both digital and traditional channels, to promote our products. Following our regional densification strategy, we typically consolidate resources to build up our brand awareness region by region. The effectiveness of our marketing and promotional efforts directly influences our operating results. In 2021 and 2022, our advertising and promoting fees amounted to RMB40.9 million and RMB36.6 million, representing approximately 0.9% and 0.7% of our revenue in the these years, respectively. In the nine months ended September 30, 2022 and 2023, our advertising and promoting fees amounted to RMB28.1 million and RMB42.7 million, representing approximately 0.7% and 0.8% of our revenue in these periods, respectively. We will continue to adopt and implement marketing and promotional strategies to fortify our market standing.

We may incur significant costs in connection with our marketing and promotional efforts. However, we cannot guarantee that such efforts will resonate with the audience or translate into increased sales. In addition, the dynamic nature of marketing trends in China's consumer sector requires us to constantly refine our marketing strategies and embrace innovative methodologies in tune with industry shifts and consumer preference. Any failure to refine our marketing approaches or to adapt to new or more cost-effective marketing techniques could negatively affect our business, growth prospects and results of operations. With our continuous marketing and promotional efforts, we expect that our advertising and promoting fees will continue to increase in absolute amount. In addition, our crossover collaborations with third-party partners may not always yield the anticipated outcomes. If any of the foregoing risks materializes, our businesses and results of operations may be materially and adversely affected.

Illegal actions or misconduct, or any failure by employees, franchisees, staff in the franchised stores, third-party suppliers or other business partners to provide satisfactory products or services could materially and adversely affect our business, reputation, financial condition and results of operations. Additionally, we may not be able to secure adequate compensation from these parties for the damages they cause.

Our reputation and operations might be harmed by illegal conduct, unsatisfactory actions or subpar performance by, disputes with, or grievances from our employees, franchisees, staff in our franchised stores, third-party suppliers, service providers and other business partners, which are beyond our control. For example, if our suppliers fail to comply with food safety or other regulations, or experience contamination during delivery to our processing facilities or warehouses, our operations could be interrupted, leading to potential claims against us. As we also use third-party vehicles to fulfill our delivery needs, our business may be negatively affected if third-party transportation service providers fail to ensure timely deliveries and maintain the quality of our ingredients during the transportation. A franchisee or staff in a franchised store could violate our protocols or mishandle consumer complaints. Potential employee misconduct, including fraudulent activities and theft, poses a risk to our operations. Additionally, any failure to adhere to our internal policies and applicable regulations might harm our reputation and/or expose us to regulatory penalties.

In the event that we face claims due to the misconduct or unsatisfactory performance of our employees, franchisees, staff in our franchised stores, third-party suppliers, service providers, or other business partners, we may try to seek compensation from them. Nevertheless, the amount of such compensation might be limited. If we cannot assert a claim against these parties, or if the amounts we claim are not fully recoverable from the involved party, we might need to cover such losses and compensation ourselves. This could materially and adversely affect our business, financial condition, and operational results.

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

We face the inherent risk of liability claims or consumer complaints in our industry, particularly given the nature of the offerings in our freshly-made tea stores. Being in the freshly-made beverage industry, we face the risk of food safety issues, consumer complaints, regulatory investigations or liability claims. We take these complaints seriously and endeavor to reduce consumer complaints by implementing various remedial measures, such as strengthening the management and supervision of our franchised stores. Nevertheless, we cannot assure that we can successfully prevent or address all consumer complaints in a timely manner or at all.

Publicity about our business can also attract heightened attention from the public, regulators, and the media. 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 — 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 freshly-made tea beverage industry in general could also adversely affect our sales on a regional or national level. Furthermore, improper actions or statements by our employees, endorsers, or celebrities we collaborate with could significantly harm our brand and operations. While we strive to maintain our reputation, there is no guarantee against future regulatory or public scrutiny, which could have a negative impact on our reputation, business, and prospects.

Significant liability claims or consumer complaints, or adverse publicity and heightened regulatory scrutiny 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 brand, which may adversely affect our business and results of operations. Furthermore, adverse publicity including but not limited to negative online reviews on social media platforms, industry findings or negative public or medical opinions about the health effects of consuming tea or coffee beverages, 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.

Unexpected or prolonged disruptions in our processing facilities, warehouses or freight vehicles may adversely affect our business operations.

Our timely delivery of goods and equipment to our stores relies heavily on the smooth operation of our processing facilities, warehouses, and freight vehicles. As of September 30, 2023, we operated three processing facilities dedicated to fruit juice and tea leaves processing, and 21 warehouses with specialized cold storage capabilities. 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 processing facilities 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.

Given the fragile and perishable nature of our tea beverage ingredients, we have set strict temperature guidelines for transportation. Our logistics capabilities ensure the safe and efficient transfer of products between the warehouses and from warehouses to stores. As of September 30, 2023, we directly owned and operated 327 vehicles. 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 ingredients. 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.

We depend on a limited number of third-party service providers for order delivery to our consumers.

We offer our order delivery options primarily through two channels: orders directly placed on and fulfilled by third-party online delivery platforms, and delivery orders placed via our mini programs and fulfilled by third-party delivery couriers.

Our delivery option is heavily reliant on a few service providers, notably two leading third-party delivery platforms in China. Any disruption or challenges in our and franchisees' collaboration with these third-party providers — be it disruptions in their delivery service, issues with order accuracy or quality control during the delivery process, interruption to their business operations, termination or suspension of our cooperation, disputes or deterioration with respect to our relationships, or adverse changes in key contractual terms such as increased fee rate — might lead to order delivery delays, heighten our costs, or have other negative impacts on our business and results of operations. There can be no assurance that our existing relationships with these third-party service providers will continue on terms that are favorable to us. Furthermore, our attempts to form new partnerships with other delivery service providers may not always result in success. If we face challenges in sustaining or developing positive relationships with these service providers or if we struggle to engage with new service providers, our store sales and brand image could suffer, which would negatively impact our overall business.

A significant number of our stores are located in a few provinces in China. Any event negatively affecting the freshly-made tea beverage industry in these regions could have a material adverse effect on our overall business and results of operations.

Our business operations exhibit a concentration within specific geographical regions. A significant number of our stores are currently located in eight provinces in Eastern and Southern China, which collectively generated 89% of our GMV and a major portion of our revenue during the Track Record Period. Although we expect to continuously expand our geographical coverage and the proportion of our stores in these provinces is expected to decrease, any adverse event or circumstance unique to these regions could have an amplified impact on our overall performance. This includes not only industry-specific challenges, like changes in consumer preferences or market saturation but also broader external changes. Factors such as localized economic downturns, natural disasters, outbreaks of infectious diseases, acts of terrorism, or new regulations imposed by local authorities that might impose constraints on our operations or the freshly-made tea beverage industry as a whole can substantially affect our revenue. The fallout from any of these events may materially and adversely affect our financial results and business operation.

We encounter risks related to leased properties, which could negatively impact our business operations and financial outcomes.

As of September 30, 2023, almost all of our franchised stores, our company-operated stores, office spaces, processing facilities and warehouses are located on leased premises. As a result, we and our franchisees encounter various risks related to these leased properties during regular business operations.

Our stores' lease agreements are generally with a term of one to five years. Therefore, the ability to renew existing lease agreements at reasonable commercial terms is critical to the stores' continuous operations and profitability, especially for those in high traffic areas. We or our franchisees might struggle to negotiate lease renewal with the landlord and may be forced to relocate to locations with unsatisfactory consumer traffic. Furthermore, we and our franchisees may also face the risk of unexpected early lease termination, either initiated by the landlords or due to uncontrollable reasons. If we and our franchisees are unable to find alternative suitable premises on acceptable terms in a timely manner, affected stores may need to close temporarily, which may materially and adversely affect their financial and operational outcomes. Relocations would also lead to additional costs, thus affecting our business operations and financial condition. Additionally, we and our franchisees may also need to compete with other businesses for desired locations. As a result, rental payments may significantly increase due to high demand for the leased properties, which may further adversely affect the business operations and financial condition of us and our franchised stores.

In addition, potential title defects might exist in the leasehold interest of our properties and our rights to some of the leased properties could face challenges from property owners or other external parties. As of the Latest Practicable Date, 15 of our 52 leased properties in China with an aggregate gross floor area of approximately 48,000 square meters were subject to potential title defects, representing approximately 16% of the total gross floor area of our leased properties in China. The landlords of such leased properties failed to provide us with the relevant title ownership certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. See "Business — Properties and Facilities." There is a risk that such landlords may not have the relevant property ownership certificates or the right to lease or sublease such properties to us, in which case the relevant lease agreements might be deemed unenforceable in accordance with the relevant laws and regulations and we may be forced to vacate these properties and relocate. In this event, the operation of our stores in such properties may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we and our franchisees will incur additional costs in relocating to other suitable locations, thus affecting our business operations and financial condition. Moreover, if our lease agreements are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor.

Under the applicable PRC laws and regulations, property lease agreements are required to be registered with the relevant real estate administration bureaus in the PRC. As of the Latest Practicable Date, the lease agreements with respect to most of our leased properties were not registered with the appropriate government authorities in the PRC. As advised by our PRC Legal Advisor, failure to complete the registration of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may require us to complete the registration, and if we still fail to do so, we may be imposed a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements.

Additionally, the actual use of six leased properties, with an aggregate gross floor area of approximately 320 square meters, representing approximately 0.1% of our total leased gross floor area, does not fit into the prescribed scope of usage shown on the relevant certificates. For the leased properties with usage defects, as advised by our PRC Legal Advisor, administrative penalties may be imposed on the landlords if the properties are leased for the usage incompatible with the prescribed scope, and our usage of the leased properties with usage defects may be interrupted, which may negatively affect our business and results of operation.

In light of the foregoing reasons, we and our franchisees may need to secure equivalent or even superior store locations under advantageous terms in a swift and efficient manner. Any delay or inability in this regard not only affect our business operations but also poses a risk to our brand reputation and customer loyalty.

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

We rely on our technology infrastructure and systems to serve consumers, conduct the daily operations of our stores, and manage inventory and supplies. A damage or failure of our technology infrastructure and systems that causes interruptions or inaccuracies in the operations of our stores could have a material adverse effect on our businesses and results of operation.

In addition, we are subject to cyber-attacks and network security breaches. Since the methods used to gain unauthorized access to or sabotage networks are constantly evolving, we may lack the expertise and technological sophistication necessary to predict and deter rapidly changing cyber-attack forms. As a result, we may not be able to detect or enforce sufficient countermeasures against these threats. We have not experienced a material incident related cyber-attack or network security breach during the Track Record Period and up to the Latest Practicable Date. However, we cannot guarantee that we could prevent these attacks and security breaches, and we may face risks of considerable legal and financial responsibility, damage to our brand image, and affected financial results. Actual or planned attacks and threats can result in substantially increased costs, including staff and network security technology deployment, employee training, and engagement of third-party experts and consultants. In addition, if our network security is compromised, and private information is stolen or obtained by unauthorized persons or used inappropriately, we may be subject to litigation or investigation brought by consumers and related institutions. These proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our businesses and results of operation.

We face risks related to payments through third-party platforms.

Consumers may purchase products at our stores using a variety of payment methods through third-party online payment service providers, including Weixin Pay, Alipay and Union Pay, among others, and there are certain risks associated with these payment methods, including but not limited to the following:

- the service fees paid to payment service providers may increase over time, which may raise our operating costs;
- there might be incidents of fraud, security breaches and other illegal activities in connection with those payment methods; and
- there might be fines, increased expenses or the loss of ability to use payment methods if our stores fail to comply with rules, regulations and requirements governing electronic funds transfers.

Furthermore, the implementation of security measures by third-party online payment service providers is beyond our control. In the event of any security breaches involving these payment service providers, we may be subject to litigation and possible liability and our reputation could be damaged. During the business operation of our stores, if there is any leak of confidential information, breach of network security or other misappropriation or misuse of personal information by third-party online payment service providers, our business may be interrupted, additional costs may be incurred, and litigation and other liabilities may ensue. As a result, our results of operation and financial condition could be negatively affected.

We may not be successful in promoting our membership program.

We have launched our membership program through our mini programs and Weixin official account. See "Business — Marketing and Promotion — Our Membership Program." We use our members' past transaction history to enhance our consumer experience and gain insights to further improve our membership program. Our ability to track and analyze information regarding consumers and transactions will largely depend on consumer acceptance of our membership program as well as its successful operations. We have limited experience in operating such membership program, and we cannot accurately predict the rate or extent to which our consumers will subscribe for such membership program. 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. Additionally, our membership program may adversely affect the volume and frequency of purchases by consumers who do not become our members. If any of the foregoing risks materializes, our businesses and results of operations may be materially and adversely affected.

We may not be able to adequately protect our intellectual property, which could harm our brand value and adversely affect our business and results of operation.

We believe that our brand is essential to our success and competitive position. We will continue to use our brand, trade names and trademarks to enhance brand awareness and to further improve our products. Third parties may infringe upon our intellectual property rights or misappropriate our proprietary knowledge, which could have a material adverse effect on our business, financial condition or operating results. The measures we take to protect our brand, trademarks, trade names and other intellectual property rights may not be adequate to prevent the unauthorized use by third parties. If we are unable to adequately protect our brand, trademarks, trade names and other intellectual property rights, we may lose these rights, which could harm our brand value and adversely affect our business.

In the past, we have found that certain third parties used or imitated our trademarks or trade names without our authorization to operate tea stores. The unauthorized use of our trademarks and trade names by unrelated third parties may damage our reputation and brand. If the operations of third parties who used or imitated our trademarks or trade names without our authorization result in adverse effects on consumers, we may be associated with negative publicity as a result. Preventing trademark and trade name infringement and trade secret misappropriation is difficult, costly and time-consuming. During the Track Record Period and up to the Latest Practicable Date, we had initiated over 40 legal proceedings against certain third parties. In the future, we may, from time to time, need to institute litigations to protect and enforce our trademarks and other intellectual property rights. These litigations could result in substantial costs and diversion of resources, which could negatively affect our sales, profitability and prospects. Even if these litigations are resolved in our favor, we may not be able to successfully enforce the judgment and remedies awarded by the court and the remedies may not be adequate to compensate us for our actual or anticipated losses, whether tangible or intangible.

The success of our business relies heavily on our ability to operate without violating the intellectual property rights of third parties. We could face intellectual property infringement claims that may be costly to defend and could disrupt our business.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate intellectual property rights held by third parties. We may be subject to legal proceedings and claims relating to the intellectual property rights of others in the future. There may also be existing intellectual property that we are unaware of, which our products might inadvertently infringe. We cannot assure you that holders of intellectual property purportedly relating to some aspect of our technology systems, software and other applications or business in general, if any such holders exist, would not seek to enforce relevant intellectual property against us. 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. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

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 China, we do not carry specific business interruption or litigation insurance. If we were to incur substantial losses and liabilities that are outside the scope of our insurance coverage, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our financial conditions and results of operations. We may also be required to bear the losses to the extent that our insurance coverage is insufficient.

Our success depends on the continuing efforts of our key employees and senior management. If we fail to recruit, retain and motivate these individuals, or maintain our corporate culture as we grow, our business may be affected.

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 benefits package, 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 goal 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 severely disrupt our business and growth.

Any labor shortages, increased labor costs or other factors affecting the labor force may adversely affect our store performance, our business and results of operations.

Our business operations and the operation of our franchised stores require a substantial number of personnel. Any failure to retain stable and dedicated labor by us or our franchisees may lead to disruption to the business operations of us and our franchised stores. In addition, any material increase in the staff turnover rates may adversely impact the operations of our franchised stores. Although we have not experienced any labor shortage to date, we and our franchisees have experienced, and may continue to experience, increases in labor costs due to increases in salary, social benefits and employee headcount. We also compete with other companies in our industry and in some labor-intensive industries for labor, and we may not be able to offer competitive remuneration and benefits compared to them. If we are unable to manage and control our labor costs, our business, financial condition and results of operations may be materially and adversely affected.

We, our Directors, management, franchisees and employees may not always succeed in defending against litigation and 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 PRC government, media entities, and public advocacy groups playing a pivotal role. See "Regulations — Regulations on Consumer Protections." 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 on consumers' loss even if the contamination of food and beverage 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. Furthermore, our Directors, management, franchisees, and employees might occasionally face litigation, regulatory investigations, and other proceedings. 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 listed 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.

Non-compliance with existing or new government regulations by us, our franchisees or other business partners related to the freshly-made tea beverage industry, fire safety, food hygiene and environmental protection could materially and adversely affect our business and operating results.

Our business is subject to various compliance and operational requirements under PRC laws. For example, each of our stores must hold a basic business license issued by the local government authorities and must have store operations within the business scope of its business license. Our failure or the failure of any of our stores to comply with applicable laws and regulations may incur substantial fines and penalties from the relevant PRC government authorities. Our business is also subject to various regulations that regulate various aspects of our business in the cities where we operate, including regulations relating to the freshly-made tea beverage industry, fire safety, food hygiene and environmental protection. See "Regulations — Regulations on Business Operation of Food Service Industry in the PRC" and "Regulations — Regulations on Fire Prevention." We have not been subject to any material fines or other penalties in relation to any non-compliance in the past. If we fail to comply with relevant rules and regulations or to cure any non-compliance in a timely manner, we may be subject to fines, confiscation of the gains or the suspension of operations related to non-compliant stores, which could materially and adversely affect our business and results of operations. Additionally, complying with government regulations may require substantial expense, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expense and divert substantial management time to resolving any deficiencies. We may also experience adverse publicity arising from the non-compliance with government regulations that negatively impacts our brand and business.

New laws and regulations may be promulgated and come into effect from time to time, and the interpretation and implementation of existing laws and regulations may be subject to change. If additional approvals or licenses are required according to new laws and regulations or new interpretation and implementation of existing laws and regulations, additional restrictions are imposed on our operations, or enforcement of existing or new laws or regulations is tightened, the PRC government could have the authority, among other things, to levy fines, confiscate income, revoke business licenses, and require us to discontinue relevant business operations.

Since we, our stores, processing facilities, warehouses, and freight vehicles require various approvals, licenses and permits to operate, any failure to obtain or renew these approvals, licenses and permits could materially and adversely affect our business and results of operations.

In accordance with the PRC laws and regulations, we, our stores, processing facilities, warehouses, and freight vehicles require various approvals, licenses and permits to operate. These approvals, licenses and permits are achieved upon satisfactory compliance with, amongst other things, the applicable food hygiene and safety, environmental protection and fire safety laws and regulations. For example, each of our stores in China needs to obtain the relevant food distribution license. We are also required to obtain the road transportation operation permits and the road transportation certificates for relevant freight vehicles, in relation to the delivery and transportation of products performed by our freight vehicles. As of the Latest Practicable Date, most of our freight vehicles had obtained road transport certificates. In addition, substantially all our stores, processing facilities, and warehouses need to pass the necessary fire safety verification or fire safety inspection. As of the Latest Practicable Date, some of our stores (including company-operated stores) and our warehouses with cold storage had not completed the necessary fire safety inspection. In addition, certain of our processing facilities might also be required to submit environment impact report and statement of construction projects to competent environmental protection authorities for review and approval. Most of these licenses are subject to examinations or verifications by relevant authorities and some are valid only for a fixed period of time subject to renewal and accreditation. As of the Latest Practicable Date, we had not obtained the approval for the environmental impact assessment with respect to our tea leaves processing facility in Guangxi and we may be subject to a fine between RMB50,000 and RMB250,000 and required to restore the processing facility to its original condition. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative investigation or penalty resulting from the environment impact assessment. However, we cannot assure you that the relevant government authorities will not impose fines on us or require us to restore the processing facility. If we are otherwise subject to investigations related to non-compliance with relevant laws and regulations and are imposed severe penalties, our business, financial condition and results of operations may be adversely affected.

Our franchisees are responsible for and required to obtain and maintain relevant approvals, licenses and permits relating to their operation of franchised stores in accordance with the PRC laws and regulations. In addition, according to the franchise agreements between our franchisees and us, our franchisees are responsible for the validity and effectiveness of the required approvals, licenses and permits for operating the franchised stores, and the non-compliance in this regard may cause penalties, such as temporary closure, for related franchised stores until they regain compliance. If a large number of franchised stores are subject to such penalties or temporary closure, our results of operation and financial performance may be adversely affected.

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, renew and/or convert all approvals, licenses and permits required for existing business operations upon expiration in a timely manner, or at all. If we or our franchisees cannot obtain or maintain all approvals, licenses and permits required to operate our stores, our business operations and expansion of store network may be delayed and our ongoing business could be interrupted. We may also be subject to fines and penalties. For details, see "Business — Licenses and Regulatory Approvals."

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities, which may materially and adversely affect our business and results of operations.

In accordance with the PRC Social Insurance Law and the Regulations on the Administration of Housing Provident Fund and other relevant laws and regulations, China establishes a social insurance system and other employee benefits including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident fund (collectively, the "**Employee Benefits**"). An employer shall pay the Employee Benefits for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance and other Employee Benefits that should be assumed by the employees. As advised by our PRC Legal Advisor, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% of the outstanding amount for each day of delay. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue.

Under the Social Insurance Law and the Regulations on the Administration of Housing Provident Fund, PRC subsidiaries shall register with local social insurance agencies and register with applicable housing provident fund management centers and establish a special housing provident fund account in an entrusted bank. Both PRC subsidiaries and their employees are required to contribute to the Employee Benefits.

During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions to Employee Benefits for our employees. As of the Latest Practicable Date, we had not received any notice from the relevant government authorities or any claim or request from these employees in this regard. In addition, during the Track Record Period, we used third-party service providers to apply for social insurance registration and housing provident fund deposit registration and to pay social insurance and housing provident funds for some of our employees, which may be inconsistent with relevant laws and regulations. See "Regulations — Regulations on Labor Right and Interests" for details.

However, we cannot assure you that the relevant government authorities will not require us to pay the outstanding amount and impose late fees or fines on us. If we are otherwise subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

Any failure to comply with data privacy protection and information security laws could harm our reputation, result in a loss of revenue, lead to substantial additional costs, and expose us to litigation and regulatory scrutiny.

During the ordinary course of our business, we receive certain necessary personal information of our consumers as they become our members or place orders via our mini programs, which may include user code, delivery address and phone number. We provide our consumers with data privacy notices and ensure that they provide data authorization before they access our mini programs. We use such information or data we obtain for delivering our products, providing after-sales services and sending the most up-to-date information of our brand.

We have adopted internal guidelines for the protection of personal information of our consumers, and to ensure our compliance with relevant PRC laws and regulations with respect to privacy and personal information protection. We have also implemented measures to protect data security and privacy in relation to the collection, use, storage, transfer, disclosure and security of personal information, including removing and destroying data in secure manners, a strict access control mechanism and multiple layers of safeguards and firewalls. Nevertheless, the efforts that we take to protect our consumers' personal information may not always be sufficient or effective. Any improper handling of our consumers' personal information as a result of any misconduct by our employees or any information leakage due to external factors, such as unauthorized access to our consumer database by hackers, could result in civil or regulatory liabilities which may subject us to significant legal, financial and operational consequences.

We are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data. On June 10, 2021, the Standing Committee of the National People's Congress (the "**SCNPC**") promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》), which came into effect on September 1, 2021. The Data Security Law imposes certain data security and privacy obligations on entities and individuals carrying out data activities, like us, and prohibit any PRC individual and entity from providing data stored within the PRC for foreign judicial or law enforcement authorities without approval by competent authorities in the PRC. Further, the Personal Information Protection Law (《個人信息保護法》) was passed by SCNPC on August 20, 2021 and came into effect on November 1, 2021. The law applies to all activities conducted in our establishments within the PRC or related to services that we offer to natural persons within the territory of the PRC. It creates a range of new compliance obligations, which may impose substantial penalties on us for non-compliance.

Further, on December 28, 2021, the CAC with other 12 authorities published the Measures for Cyber Security Review (《網絡安全審查辦法》), which became effective on February 15, 2022. The Measures for Cyber Security Review provide that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Measures for Cyber Security Review also provide that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. However, the Measures for Cyber Security Review provide no further explanation or interpretation for "list abroad." As of the Latest Practicable Date, we had not received any notification from relevant government authorities that we will or may be recognized as a critical information infrastructure operator.

On November 14, 2021, the CAC published the Draft Cyber Data Security Regulations, which apply to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. Our PRC Legal Advisor advises that the Draft Cyber Data Security Regulations are applicable to the data processing activities of certain of our subsidiaries in the PRC, if the draft regulations were to be implemented in their current form. It stipulates that a data processor who processes more than one million persons' personal information aiming to list abroad or a data processor who seeks to complete a listing in Hong Kong which affects or may affect national security is required to apply for cybersecurity review pursuant to relevant rules and regulations. However, the Draft Cyber Data Security Regulations do not provide the standard to determine the circumstances that would be determined to "affect or may affect national security."

As of the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications, or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us. If the Draft Cyber Data Security Regulations were to be implemented in its current form, based on the foregoing and a detailed analysis of its provisions by our PRC Legal Advisor, we and our PRC Legal Advisor do not foresee any impediment for us to comply with the Measures for Cyber Security Review and the Draft Cyber Data Security Regulations in any material aspect, given that as disclosed in "Business — Data Privacy and Security" of this document, we have implemented a comprehensive set of internal policies, procedures and measures to ensure our compliance practice. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, including the Draft Cyber Data Security Regulations and the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, if any, and we will adjust and enhance our data practices in a timely manner to ensure compliance once the regulations come into effect.

The interpretation and application of laws, regulations and standards on data protection and privacy shall follow the then effective laws and regulations and are still evolving. We cannot assure you that our data privacy and protection measures are, and will be, always considered sufficient under applicable laws and regulations. We may be subject to investigations and inspections by government authorities regarding our compliance with laws and regulations on data privacy, and we cannot assure you that our practices will always fully comply with all applicable rules and regulatory requirements. In addition, laws, regulations and standards on data protection and privacy continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs or require us to change our business practices. Additionally, the integrity of our data privacy and 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 privacy and 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.

We face risks in connection with Third-party Payment Arrangements.

During the Track Record Period, we accepted payment made on behalf of certain of our franchisees (the "**Relevant Franchisees**") through the accounts of third parties designated by the Relevant Franchisees (the "**Third-party Payment Arrangement**"). During the Track Record Period, we have duly booked all payments received under the Third-party Payment Arrangement according to our internal accounting policies and tax related laws and regulations. During the respective periods, we received third-party payments from 729, 573 and 595 franchisees, and the aggregate amount of third-party payments we received was RMB867.9 million, RMB1,017.8 million and RMB831.6 million, respectively, representing approximately 18.0%, 16.9% and 13.8% of the total payments we received from our franchisees, respectively. From October 1, 2023 to the Latest Practicable Date, we received third-party payments from 209 franchisees and the aggregate amount of third-party payments we received was RMB25.1 million. As of the Latest Practicable Date, we had ceased accepting third-party payments and updated our system such that our franchisees can only pay with their own bank accounts.

We were subject to various risks relating to such Third-party Payment Arrangements, such as (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors and (ii) potential money laundering risks as we have limited knowledge about the source of the funds utilized by the third-party payors and their identities. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal or regulatory actions) instituted or brought against us to demand return of the relevant payment or for violation or non-compliance of laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims, legal proceedings or regulatory actions, and we may be forced to comply with the court ruling or order and return the payment for the products that we sold and services that we provided. For details, see "Business — Risk Management and Internal Control — Control of Third-party Payment Arrangements."

If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results, meet our reporting obligations or prevent fraud.

We have established an effective system of internal control consisting of the relevant risk management policies and risk control procedures to identify, evaluate and manage risks arising from financial reporting operations. Since our risk management and internal control systems depend on implementation by our employees and our franchisees, we cannot assure you that all of our employees and franchisees will adhere to such policies and procedures, and the implementation of these policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, we may be unable to accurately report our financial results, meet our reporting obligations or prevent fraud.

Our business is subject to seasonal fluctuations.

Our business operations are influenced by seasonal trends. During the summer, when the weather is warmer, we typically see more consumer traffic and generate higher sales. Similarly, festive and holiday seasons tend to boost our sales due to heightened consumer activity. At the same time, ingredients of our tea beverages, such as fresh fruits, fruit juices and tea leaves, undergo price fluctuations throughout the year based on their availability and market dynamics. As a result, our results of operations may fluctuate significantly from period to period and comparisons of different periods may not be meaningful. Our financial condition and results of operations for future periods may continue to fluctuate, from time to time, due to seasonality.

We recorded net liabilities as of December 31, 2021 and 2022, and recorded net current liabilities as of December 31, 2021 and 2022 and September 30, 2023.

We recorded net liabilities of RMB1,205.8 million and RMB816.6 million as of December 31, 2021 and 2022, respectively. In addition, we recorded net current liabilities of RMB1,712.7 million, RMB1,501.1 million and RMB558.9 million as of December 31, 2021 and 2022 and September 30, 2023, respectively. Our net liabilities and net current liabilities position as of each of these dates were primarily due to non-operational impact of our convertible redeemable preferred shares classified as financial liabilities at fair value through profit and loss. There is no assurance that we will generate sufficient net income or operating cash flows to meet our working capital requirements and repay our liabilities as they become due. There can be no assurance that we will be able to prudently manage our working capital or raise additional equity or debt financing on terms that are acceptable to us. Our inability to take these actions as and when necessary could materially adversely affect our liquidity, results of operations and financial condition.

Our results of operations, financial conditions and prospects have been adversely affected by fair value changes in our convertible redeemable preferred shares.

Historically, we issued to investors certain convertible redeemable preferred shares, consisting of Series A-1, Series A-2, Series A-3 and Series A-4 Preferred Shares (the "**Convertible Redeemable Preferred Shares**"), upon the completion of certain specified events, respectively. For more details, see note 29 to the Accountants' Report in Appendix I to this document. Upon the completion of this [**REDACTED**], all of such Convertible Redeemable Preferred Shares will be automatically converted into ordinary shares. Additionally, the foregoing investors have the right to require us to redeem such Convertible

Redeemable Preferred Shares if this [**REDACTED**] is not consummated on or prior to certain date or upon the occurrence of some specified events. For the identity and background of the foregoing investors, see the section headed "History, Reorganization and Corporate Structure — Pre-[**REDACTED**] Investments" of this document.

Upon conversion, the Convertible Redeemable Preferred Shares will be recorded on a fair value basis based on market valuation. We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate, expected rate of return and discount rate, in valuing certain of our assets and liabilities, including the Convertible Redeemable Preferred Shares. The fair value change of Convertible Redeemable Preferred Shares may significantly affect our financial position and results of operations. Accordingly, this determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. We recorded fair value changes in financial liabilities at fair value through profit or loss of RMB728.4 million and RMB389.5 million for the years ended December 31, 2021 and 2022, respectively. Additionally, we recorded fair value changes in financial liabilities at fair value through profit or loss of RMB310.3 million and RMB21.7 million for the nine months ended September 30, 2022 and 2023, respectively. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets and liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. After the automatic conversion of the Convertible Redeemable Preferred Shares into Shares upon the completion of the [**REDACTED**], we do not expect to recognize any further gains or losses on fair value changes from these Convertible Redeemable Preferred Shares in the future.

If we were to be required to redeem all such Convertible Redeemable Preferred Shares if the [**REDACTED**] is not consummated on or prior to a certain date or upon the occurrence of certain specified events, the aggregate redemption price shall be the sum of the aggregate consideration for the issuance of such Convertible Redeemable Preferred Shares, plus applicable interest accrued thereon. The aggregate consideration at which our Convertible Redeemable Preferred Shares were issued equal to RMB674.1 million. As of September 30, 2023, our cash and cash equivalents was RMB1,857.2 million. The redemption of the Convertible Redeemable Preferred Shares, if triggered, could have a negative impact on our cash and liquidity position and financial condition.

We historically invested and may in the future invest in wealth management products that are subject to varying degrees of investment risks.

During the Track Record Period, we invested in wealth management products to mobilize our capital and generate investment returns for the benefits of our Shareholders. As of December 31, 2021 and 2022 and September 30, 2023, the amounts of our wealth management products were RMB241.7 million, RMB37.3 million and RMB31.0 million. Going forward, we may from time to time invest in wealth management products with low/medium risks or low risks on a case-by-case basis if these products are in our interest upon evaluations and analyses. The investment in wealth management products may be subject to various risks that are out of our control, including risks relating to macro-economic environment and general market conditions, as well as risk control and credit of issuing banks. Although we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products, there could be no assurance that these internal policies and guidelines will always be effective, or at all. If we fail to properly manage the risks in relation to our investment in wealth management products, we may incur significant losses, and as a result, our financial condition may be materially adversely affected.

We may require additional financing to support our further developments or adapt to changes in business conditions, but we may not be able to obtain additional financing on favorable terms, if at all.

Expanding our store network, building a well-known brand and accumulating a large and continuously growing consumer base are costly and time-consuming. Substantial and continuous investments in advertising, branding and marketing activities are also required for further establishing brand awareness to attract new consumers and retain existing ones. Our Directors are of the view that, taking into account our current cash and cash equivalents, anticipated cash flow from operations and the net [**REDACTED**] we expect to receive from this [**REDACTED**], we will have available sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document. We may, however, require additional cash resources to finance our continued growth or other future developments or adapt to changes in business conditions, including any investments we may decide to pursue. If our financial resources are insufficient to satisfy our cash requirements, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional financing on favorable terms to us, if 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:

- [**REDACTED**] perception of, and demand for, securities of businesses in the freshly-made tea beverage industry;
- our future results of operations, financial condition and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in China and elsewhere.

In addition, if we raise additional financing by selling additional equity securities, your equity interest in us may be diluted. Alternatively, if we raise additional financing 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 favorable terms, our business, financial condition and prospects may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE COUNTRY WHERE WE OPERATE

Changes in economic, political and social conditions could affect our business and operations.

We are headquartered in Zhejiang, China, and substantially all of our operations are conducted in China. Accordingly, our business, financial condition and results of operations may be influenced by the economic, political and social conditions in China. China's freshly-made tea beverage market in general is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels, consumer demands and discretionary spending. The PRC government has implemented various measures to encourage and guide the economic growth and the allocation of resources. While these measures will benefit China's macro economy as a whole, some of them might result in uncertainties to us. In addition, any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, financial condition and results of operations.

You should assess the legal protections you are entitled to under legal system in China.

The laws and regulations in China are subject to revisions or interpretations from time to time. New laws, regulations, guidelines and interpretations that are promulgated in the future may affect the rights and obligations of the parties involved. In addition, legal cases are not official legal sources in China, and prior court decisions may be cited for reference but may not have binding authority. Therefore, you should assess the legal protections you are entitled to under legal system in China.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with overseas offerings and future capital raising activities.

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Combating 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》), which calls for, among others, enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies, and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines (collectively, the "**Trial Measures**"), which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as an indirect overseas offering and listing by a domestic enterprise: (i) any of the total assets, net assets, revenue or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in China or its main places of business are located in China, or a majority of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in China. The filing is required to be conducted within three business days after the submission of the application for initial public offering and listing overseas to the overseas regulators. The CSRC will review the filing application and may have queries and may consult with other relevant regulators. Filings granted by the CSRC will have a valid term of one year during which the issuer should complete the offering. Further follow-up offerings after the offering also require a filing within three business days after the completion of the offering, and the listed companies will need to report to the CSRC upon the occurrence and public disclosure of certain significant matters such as a change in control, penalty received from overseas securities regulators or relevant PRC regulators, a switch of listing status and a termination of listing. See "Regulations — Regulations on M&A and Overseas Listing in the PRC" for details. If a domestic company fails to fulfill the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as orders to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

Our PRC Legal Advisor is of the view that this [**REDACTED**] shall be deemed as an indirect [**REDACTED**] by PRC domestic enterprise, and we are required to submit filings with the CSRC within three business days after we submit application for this [**REDACTED**]. We may fail to meet such requirements or complete such filing in a timely manner or at all. Furthermore, the filing procedure with the CSRC under the Trial Measures may be required for our [**REDACTED**] or any other capital raising activities. It is uncertain whether we could complete the procedure in relation to any further capital raising activities in a timely manner, or at all. Any failure to complete the filing procedure in a timely manner may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business, results of operations and financial conditions.

On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection, and the National Archives Administration of China published the revised Provisions on Strengthening the 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. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this [**REDACTED**] or future capital raising activities before settlement and delivery of the [**REDACTED**]. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures in addition to those prescribed under the Trial Measures for this [**REDACTED**] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any such circumstances regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and trading price of the Shares.

Inflation in China could negatively affect our profitability and growth.

The PRC government has implemented, and may continue to implement, various policies from time to time to reduce inflation, including imposing various corrective measures designed to regulate the availability of credit or growth. High inflation in the future may cause the PRC government to regulate credit and/or price of commodities, or to take other actions. Any action on the part of the PRC government that seeks to regulate credit and/or price of commodities may adversely affect our business operations, causing negative impact on our profitability and growth.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your investment.

During the Track Record Period, substantially all of our revenue and expenditures were denominated in Renminbi, although some procurement contracts were denominated in other currencies, while the net [**REDACTED**] from the [**REDACTED**] will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi in terms of the [**REDACTED**] from the [**REDACTED**]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

We are subject to the currency exchange regulation system in China.

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 regulation 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 obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions against us or our management named in this document based on foreign laws.

Most of our assets are situated in mainland China and most of our management named in this document reside in mainland China. A judgement of a court of another jurisdiction may be reciprocally recognized or enforced in China only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by Chinese courts to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. As cross-border service of process is typically cumbersome and time-consuming, it may be difficult for [**REDACTED**] outside China to effect service of process, enforce foreign judgements or bring actions against us or management named in this document based on foreign laws.

On July 14, 2006, Hong Kong and mainland China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"), promulgated on July 3, 2008, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in mainland China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in mainland China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the 2006 Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the 2006 Arrangement will be subject to the PRC courts further adjudication in accordance with PRC laws, including the PRC civil procedure law.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which seeks to establish a bilateral legal mechanism that provides clarity and certainty for the recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and mainland China, based on criteria other than a written choice of court agreement. The 2006 Arrangement will be superseded upon the effectiveness of the 2019 Arrangement. 2019 Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. 2019 Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in Hong Kong. 2019 Arrangement will, upon its effectiveness, supersede the 2006 Arrangement. Therefore, before the 2019 Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing. Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. However, we cannot assure you that all final judgments will be recognized and effectively enforced by the relevant PRC court.

The M&A Rules and certain other relevant regulations establish certain procedures for some acquisitions of Chinese companies by foreign investors, which could affect our acquisitions.

MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), SAT, the State Administration for Industry and Commerce of the PRC (國家工商行政管理總局), the CSRC and SAFE jointly promulgated the Regulations for Mergers with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") in 2006, which was amended in June 2009. Merger and acquisition activities by foreign investors are subject to procedures and requirements under M&A rules, laws and other regulations and rules concerning M&A, including requirements in some instances that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, which could potentially require a foreign investor to spend more time navigating through the review process. In addition, the Provisions of the Ministry of Commerce on the Implementation of the Safety Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (商務部實施外國投資者併購境內企業安全審查制度的規定) issued by MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress of China and effective in 2008, as most recently amended on June 24, 2022 and effective from August 1, 2022, requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the relevant anti-monopoly authority before they can be completed. It also requires business operators not to abuse data, algorithms, technology, capital advantages and platform rules to exclude or limit competition.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our wholly foreign-owned subsidiaries in China to liability or penalties, limit our ability to inject capital into these subsidiaries, limit these subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

SAFE promulgated the SAFE Circular 37 on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. SAFE Circular 37 and its implementing rules require PRC residents to register with banks designated by local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with the PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." See "Regulations — Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents" for details.

Each of Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan, the ultimate main individual shareholders of our Company subject to the registration requirements under Circular 37 has completed the required registration respectively pursuant to Circular 37 in relation to their offshore investments as PRC residents. However, we cannot assure you that all of our Shareholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements required by Circular 37 or other related regulations. In addition, there is no assurance that all of our future Shareholders or beneficial owners who are PRC residents will make or obtain any applicable registrations or approvals required by SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will not release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, limit our overseas or cross-border investment activities, limit our ability to contribute additional capital into our PRC subsidiaries, or limit our PRC subsidiaries' ability to pay dividends or make distributions or other payments to our Company or affect our ownership structure, which could adversely affect our business, financial position and prospects. Moreover, failure to comply with the SAFE registration requirements by our Shareholders could result in liabilities under PRC laws for evasion of foreign exchange regulations.

Furthermore, since those SAFE regulations, and any future regulation concerning offshore or cross-border transactions, are or will be subject to further interpretation, amendment and implementation by the relevant PRC government authorities, we cannot predict how these regulations will affect our business operations or future strategy. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute profits to us. These risks may have a material adverse effect on our business, financial condition and results of operations.

Any failure to comply with relevant regulations regarding the registration requirements for employee stock incentive plans may subject our plan participants or us to fines and other legal or administrative sanctions when we adopt incentive plans in the future.

Pursuant to SAFE Circular 37, PRC residents who participate in stock incentive plans in overseas non-publicly-listed companies may, prior to the exercise of an option, submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. After the [**REDACTED**], our Directors, executive officers and other employees who are PRC citizens or who are non-PRC citizens residing in the PRC for a continuous period of not less than one year, subject to limited exceptions, and whom we may grant RSUs, options or restricted shares, may follow the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, to apply for the foreign exchange registration. According to those regulations, employees, directors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which may be a PRC subsidiary of the overseas listed company, and complete certain other procedures. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit their ability to make payment under the relevant equity incentive plans or receive dividends or sales proceeds related thereto in foreign currencies, or our ability to contribute additional capital into our domestic subsidiaries in China and limit our domestic subsidiaries' ability to distribute dividends to us. We also face regulatory requirements under PRC law that could restrict our ability to adopt additional equity incentive plans for our Directors, executive officers and other employees.

In addition, the State Taxation Administration (國家稅務總局) (the "**STA**") has issued circulars concerning employee RSUs, share options or restricted shares. Under these circulars, employees working in the PRC whose RSUs or restricted shares vest, or who exercise share options, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee RSUs, share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees related to their RSUs, share options or restricted shares. Although we currently withhold income tax from our PRC employees in connection with their exercise of options, if the employees fail to pay, or the PRC subsidiaries fail to withhold, their income taxes according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**"), an enterprise established outside of the PRC with a "de facto management body" within China is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The Regulation on the Implementation of the Enterprise Income Tax Law of China (《中華人民共和國企業所得稅法實施條例》) (the "**EIT Rules**") define the term "de facto management body" as the body that exercises full and substantial control over, and overall management of, the business, production, personnel, accounts and properties of an enterprise. On April 22, 2009, the STA issued a circular, known as Circular 82, which was last amended on December 29, 2017. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those with no single individual controller like us, the criteria set forth in the circular may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seal, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe none of our entities outside of China is a PRC resident enterprise for PRC income tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and we cannot be certain on how the tax authorities will interpret the term "de facto management body." As most of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our Company or any of our subsidiaries outside of the PRC is a PRC resident enterprise for PRC enterprise income tax purposes, our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its global income, which could materially reduce our net profit. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. There is possibility that non-PRC shareholders of our Company would not be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your [**REDACTED**] in our Shares.

We and our Shareholders may be adversely affected by tax adjustments with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a PRC establishment of a non-PRC company.

On February 3, 2015, the STA issued Bulletin 7, which has been further amended by Bulletin 37 issued by the STA on October 17, 2017 and amended on June 15, 2018. Pursuant to these bulletins, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from this indirect transfer may be subject to PRC enterprise income tax. See also "Regulations — Regulations on Tax in the PRC."

Bulletin 7 may be determined by the tax authorities to be applicable to some of our offshore restructuring transactions or sale of the shares of our offshore subsidiaries or investments where PRC taxable assets are involved. The transferors and transferees may be subject to the tax filing and the transferees may be subject to withholding or tax payment obligation, while our PRC subsidiaries may be requested to assist in the filing. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Bulletin 7 or to establish that we and our non-resident enterprises should not be taxed under Bulletin 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have discretion under Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Bulletin 7, our income tax costs associated with potential acquisitions or disposals will increase, which may have an adverse effect on our financial condition and results of operations.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company and rely to a significant extent on dividends and other distributions on equity paid by our PRC subsidiaries for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside of China and pay our expenses. If our PRC subsidiaries incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances, including loans, to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside a portion of its net income each year to fund certain statutory reserves. These reserves, together with the registered equity, are not distributable as cash dividends. As a result of these laws, rules and regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary.

RISKS RELATING TO THE [REDACTED]

There has been no public market for our Shares prior to the [REDACTED], and you may not be able to resell our Shares at or above the price you pay, or at all.

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

The [REDACTED] of the Shares may be volatile which could result in substantial losses to you.

The [**REDACTED**] of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility of the price of, and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their offerings. The trading performances of the securities of these companies at the time of, or after, their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong, and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the [**REDACTED**] and volatility of our Shares, regardless of our actual operating performance.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and substantial shareholders, could adversely affect the [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the [**REDACTED**] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods. While we are currently not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the [**REDACTED**] of Shares is higher than the net tangible book value per share of our Shares immediately prior to the [**REDACTED**], [**REDACTED**] of our Shares in the [**REDACTED**] will experience an immediate dilution. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider issuing additional Shares in the future. [**REDACTED**] 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 which is lower than the net tangible asset value per Share at that time.

If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] for our Shares and trading volume could decline.

The trading market for our Shares will be influenced by the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our Shares or publishes inaccurate or unfavorable research about our business, the [**REDACTED**] for our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the [**REDACTED**] or trading volume for our Shares to decline.

We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our Shares for return on your [REDACTED].

We did not declare or distribute dividends to our shareholders during the Track Record Period. We may pay cash dividends on our ordinary shares in the foreseeable future. There can be no assurance that we will declare and distribute any amount of dividends in the future. Therefore, you should not rely on an [**REDACTED**] in our Shares as a source for any future dividend income.

Our Board of Directors has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may only pay dividends either out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts at they fall due in the ordinary course of business. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your [**REDACTED**] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you [**REDACTED**] the Shares. You may not realize a return on your [**REDACTED**] in our Shares and you may even lose your entire [**REDACTED**] in our Shares.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests 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 approximately [**REDACTED**]% of the voting power at our general meetings. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates 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 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 part of a sale of our Company and may significantly reduce the price of our Shares.

There will be a time gap of several days between [REDACTED] and [REDACTED] of our Shares [REDACTED] in the [REDACTED]. Holders of our Shares are subject to the risk that [REDACTED] of our Shares could fall during the period before trading of our Shares begins.

The [**REDACTED**] of our Shares is expected to be determined on [**REDACTED**]. However, our Shares will not commence [**REDACTED**] on the Hong Kong Stock Exchange until they are delivered, which is expected to be several days after the [**REDACTED**]. As a result, [**REDACTED**] may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [**REDACTED**] begins as a result of unfavorable market conditions, or other adverse developments, that could occur between the time of [**REDACTED**] and the time of [**REDACTED**] begins.

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 freshly-made beverage market in China. Such information and statistics have been derived from various official government and other publications and from a third-party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. However, we cannot guarantee the quality or reliability of such source materials. The information and statistics from official government sources have not been independently verified by the Company, the Joint Sponsors, any of our or their respective directors, officers or representatives or any other person involved in the [**REDACTED**] and no representation is given as to its accuracy. You should therefore not place undue reliance on such information. 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 or similar metrics we used, 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.

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

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

We are subject to changing laws and regulations regarding corporate governance and public disclosure that have increased both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, the Stock Exchange, which together with the SFC is charged with the protection of investors and the oversight of companies whose securities are publicly traded, the various regulatory authorities in China, Hong Kong and the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to ongoing interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

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 media coverage regarding us, our business, our industry and the [**REDACTED**] subsequent to the date of this document but prior to the completion of the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information 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 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. Accordingly, prospective [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this document only and should not rely on any other information.

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong, in mainland China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorized representatives who shall act at all times as the principal channel of communication with the Stock Exchange. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange. At present, our two authorized representatives are Mr. Wang, our Chairman of the Board, an executive Director and the chief executive officer of our Company, and Ms. Ying Man Sham, one of our joint company secretaries;

(b) pursuant to Rule 3.20 of the Listing Rules, each Director will provide his/her contact information (including their mobile phone numbers, office phone numbers and e-mail addresses (if available)) to the Stock Exchange and to the authorized representatives. This will ensure that the Stock Exchange and the authorized representatives should have means for contacting all Directors promptly at all times as and when required;

(c) we will endeavour to ensure that each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

(d) pursuant to Rule 3A.19 of the Listing Rules, our Company has retained the services of Altus Capital Limited as compliance adviser (the "**Compliance Adviser**"), who will act as an additional channel of communication with the Stock Exchange. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorized representatives and Directors. In turn, they will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules; and

(e) meetings between the Stock Exchange and the Directors can be arranged through the authorized representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, the Directors and/or the Compliance Adviser in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company appointed Ms. Ying Man Sham of Tricor Services Limited, and Mr. Saibin Wang, a senior finance manager of our Company, as joint company secretaries of our Company. See the section headed "Directors and Senior Management — Joint Company Secretaries" for their biographies.

Ms. Ying Man Sham is a member of The Hong Kong Chartered Governance Institute, and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

The Company's principal business activities are outside Hong Kong. We believe that it would be in the best interests of our Company and the corporate governance of our Group to have as its joint company secretary a person such as Mr. Saibin Wang, who has been an employee of our Company and who has day-to-day knowledge of our Company's affairs. Mr. Saibin Wang has the necessary nexus to the Board and close working relationship with management of our Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner.

Accordingly, while Mr. Saibin Wang does not possess the academic or professional qualifications required of a company secretary under Rules 3.28 and 8.17 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Saibin Wang may be appointed as a joint company secretary of our Company.

The waiver [was granted] for a three-year period from the [**REDACTED**] on the conditions that: (i) Ms. Ying Man Sham is appointed as a joint company secretary to assist Mr. Saibin Wang in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; the waiver will be revoked immediately if Ms. Ying Man Sham, during the three-year period, ceases to provide assistance to Mr. Saibin Wang as a joint company secretary; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. In addition, Mr. Saibin Wang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance his knowledge of the Listing Rules during the three-year period from the [**REDACTED**]. Our Company will further ensure that Mr. Saibin Wang has access to the relevant training and support that would enhance his understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange. Before the end of the three-year period, the qualifications and experience of Mr. Saibin Wang and the need for on-going assistance of Ms. Ying Man Sham will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Mr. Saibin Wang, having benefited from the assistance of Ms. Ying Man Sham for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the [**REDACTED**]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (where applicable) (i) the announcement requirement, and (ii) the circular and independent shareholders' approval requirement set out in Chapter 14A of the Listing Rules for such continuing connected transactions. For further details in this respect, see the section headed "Connected Transactions."

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yun'an Wang (王雲安先生)	Room 201, Unit 2, Building 18 Jinyayuan, Jianggan District, Hangzhou Zhejiang Province, PRC	Chinese
Mr. Xia Qi (戚俠先生)	Room 2404, Unit 3, Block 1 Hefeng Court, Linfeng Garden Shangcheng District, Hangzhou Zhejiang Province, PRC	Chinese
Mr. Xiudi Ruan (阮修迪先生)	Room 1702, Building 6 Qianjiang Yufu, Ziyang Street Shangcheng District, Hangzhou Zhejiang Province, PRC	Chinese
Ms. Yayu Jin (金雅玉女士)	Room 202, Unit 2 Building 9, Renbin Apartment Shangcheng District, Hangzhou Zhejiang Province, PRC	Chinese
Mr. Yunjiang Cai (蔡雲江先生)	219, Qianwayu Village Daxi Town, Wenling Zhejiang Province, PRC	Chinese
Non-executive Director		
Mr. Yaoxin Huang (黃垚鑫先生)	San'ai Center, No. 15, Guanghuali Chaoyang District Beijing, PRC	Chinese
Independent Non-executive Directors		
Mr. Wei Jye Jacky Lo (羅偉杰先生)	23 Sam Mun Tsai Road House 8, Boulevard Du Palais Tai Po, New Territories, Hong Kong	Chinese (Hong Kong)
Ms. Xiaodong Zheng (鄭曉冬女士)	Room 402, Building 59 No. 258 Kaixuan Road, Hangzhou Zhejiang Province, PRC	Chinese
Mr. Jianbo Li (李建波先生)	Room 1004, Unit 2, Building 8 No. 66, East Jingyang Street Shijingshan District, Beijing	Chinese

Further information about the directors and other senior management members are set out in the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**Goldman Sachs (Asia) L.L.C.** 68/F, Cheung Kong Center 2 Queen's Road Central Hong Kong
	UBS Securities Hong Kong Limited 52/F Two International Finance Centre 8 Finance Street Central, Hong Kong

[REDACTED]

[REDACTED]

Legal Advisors to our Company	*As to Hong Kong and U.S. laws* **Skadden, Arps, Slate, Meagher & Flom and affiliates** 42/F, Edinburgh Tower The Landmark 15 Queen's Road Central Central, Hong Kong *As to PRC law* **Shihui Partners** 42/F, Tower C, Beijing Yintai Centre No. 2 Jianguomenwai Avenue Chaoyang District Beijing 100022 PRC *As to Cayman Islands law* **Ogier** 11th Floor, Central Tower 28 Queen's Road Central Central Hong Kong
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws* **Cleary Gottlieb Steen & Hamilton (Hong Kong)** 37/F, Hysan Place 500 Hennessy Road Causeway Bay Hong Kong

	As to PRC law
	Jingtian & Gongcheng Room 1401A, Tower 2 Kerry Center Qianhai Qianhai Avenue Nanshan District Shenzhen, Guangdong Province PRC
Independent Auditor and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place, 979 King's Road Quarry Bay, Hong Kong
Industry Consultant	**China Insights Industry Consultancy Limited** 10F, Block B, Jing'an International Center 88 Puji Road, Jing'an District Shanghai, PRC

[**REDACTED**]

CORPORATE INFORMATION

Head office and principal place of business in the PRC	5/F, Tower A Science and Technology Innovation Center 618 Boxue Road, Xiaoshan District Hangzhou Zhejiang, China
Principal place of business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Registered office in the Cayman Islands	3-212 Governors Square 23 Lime Tree Bay Avenue P.O. Box 30746, Seven Mile Beach Grand Cayman, KY1-1203 Cayman Islands
Company's website	**https://www.gumingnc.com/** *(The information contained on this website does not form part of this document)*
Joint company secretaries	Mr. Saibin Wang 5/F, Tower A Science and Technology Innovation Center 618 Boxue Road, Xiaoshan District Hangzhou Zhejiang, China Ms. Ying Man Sham (*HKCGI*, *CGI*) 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorized representatives	Mr. Yun'an Wang 5/F, Tower A Science and Technology Innovation Center 618 Boxue Road, Xiaoshan District Hangzhou Zhejiang, China Ms. Ying Man Sham 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong

Audit committee	Mr. Wei Jye Jacky Lo (*chairperson*) Mr. Jianbo Li Mr. Yaoxin Huang
Remuneration committee	Mr. Jianbo Li (*chairperson*) Mr. Yun'an Wang Mr. Wei Jye Jacky Lo
Nomination committee	Mr. Yun'an Wang (*chairperson*) Ms. Xiaodong Zheng Mr. Jianbo Li

[**REDACTED**]

Compliance adviser	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong
Principal banks	**Industrial and Commercial Bank of China Co., Ltd.** **Wenling Daxi Branch** No. 141-151 Fangshan Avenue Daxi Town, Wenling Zhejiang Province, PRC **Zhejiang Wenling Rural Commercial Bank Co., Ltd.** **Shanshi Branch** Jinshan Road, Daxi Town, Wenling Zhejiang Province, PRC

The information and statistics set out in this section and other sections of this document were extracted from a report prepared by CIC under our commission, various official government publications and other publicly available sources. We engaged CIC to prepare an independent industry report, or the CIC Report, in connection with the [**REDACTED**]. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render the information false or misleading in any material respect. The information from official government sources has not been independently verified by us, or any of our directors and advisors, or any other persons or parties involved in the [**REDACTED**], and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We engaged CIC, an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting, to conduct detailed research on and analysis of the freshly-made beverage market in China. We have agreed to pay a fee of RMB636,000 to CIC in connection with the preparation of the CIC Report. We have incorporated certain information from the CIC Report into this section, as well as into "Summary," "Business," "Financial Information," and elsewhere in this document to provide potential [**REDACTED**] with a comprehensive presentation of the industries where we operate.

During the preparation of the CIC Report, CIC conducted both primary and secondary research, and gathered knowledge, statistics, information, and insights on industry trends within the target research markets. The primary research involved interviews with key industry experts and leading industry participants. The secondary research consisted of analyzing data from various publicly available sources, such as the National Bureau of Statistics.

The CIC Report was compiled based on the following assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trajectory during the forecast period; (iii) key industry drivers are likely to propel the freshly-made beverage market in China forward during the forecast period; and (iv) the market will not be dramatically or fundamentally affected by any extreme force majeure events or unforeseen industry regulations.

CHINA'S FRESHLY-MADE BEVERAGE MARKET

Freshly-made beverages are prepared on-site for immediate consumption, and span a variety of offerings, including tea beverages, coffee beverages and other beverages such as fresh juices and yogurt-based beverages.

The market for freshly-made beverages in China is burgeoning, exhibiting ample room for growth when compared to more mature markets. According to the CIC Report, the annual per capita consumption of freshly-made beverages in China was approximately 18 cups in 2022, in comparison to the 322 cups in the United States, 222 cups in the United Kingdom, and 167 cups in Japan, indicating the significant potential for expansion in China.

Over the past five years, China's freshly-made beverage sector has witnessed rapid growth, a trend projected to persist. According to the CIC Report, the GMV of China's freshly-made beverage market increased from RMB148.8 billion in 2017 to RMB421.3 billion in 2022, representing a CAGR of 23.1%. The market GMV is expected to reach RMB1,031.2 billion in 2027, with an anticipated CAGR of 19.6%. This robust growth can be attributed to rising per capita disposable incomes, evolving consumer habits, and ongoing enhancements in product quality spurred by market innovations and supply chain improvements.

Major Segments of China's Freshly-made Beverage Market

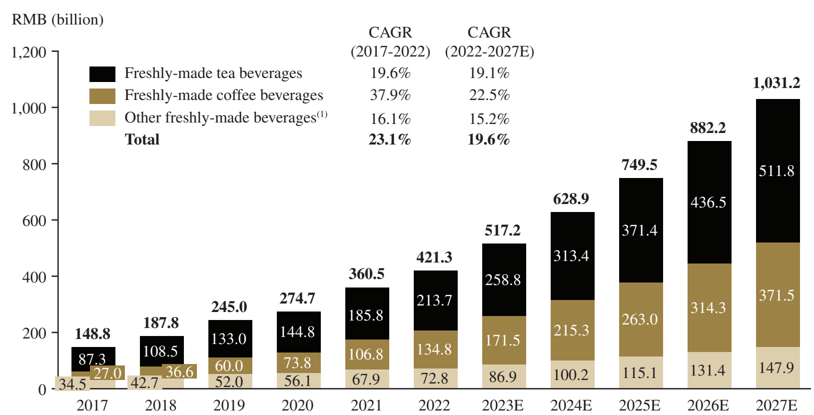
China's freshly-made beverage market primarily consists of tea beverages and coffee beverages, representing about 50.7% and 32.0% of the GMV of the entire freshly-made beverage market in 2022, respectively.

- *Freshly-made tea beverages*. The market for freshly-made tea beverages is the largest segment of China's freshly-made beverage market in terms of GMV. Made with tea, a long-time favorite in China, and innovatively added ingredients like fresh fruits, freshly-made tea beverages have gained immense popularity and become daily staples for work and leisure. The market segment has witnessed rapid growth, highlighting its widespread appeal. According to the CIC Report, the GMV of this segment grew from RMB87.3 billion in 2017 to RMB213.7 billion in 2022, representing a CAGR of 19.6%, and is expected to reach RMB511.8 billion in 2027, with a CAGR of 19.1%. Freshly-made tea beverages are predominantly available in freshly-made tea stores, but can also be offered by coffee shops, bakeries, and restaurants.

- *Freshly-made coffee beverages*. The market for freshly-made coffee beverages is the most rapidly expanding segment of China's freshly-made beverage market. Thanks to market innovations that modified coffee beverages to suit Chinese consumers' taste, the habit of consuming coffee beverages has gained traction in China and the popularity of freshly-made coffee beverages continues to soar. According to the CIC Report, the GMV of this segment expanded from RMB27.0 billion in 2017 to RMB134.8 billion in 2022, representing a CAGR of 37.9%, and is expected to further grow to RMB371.5 billion in 2027, with a CAGR of 22.5%.

The following diagram sets forth the GMV of China's freshly-made beverage market, broken down by major segments, from 2017 to 2027.

GMV of China's freshly-made beverage market, breakdown by major segments, 2017-2027E



Source: The CIC Report

Note:

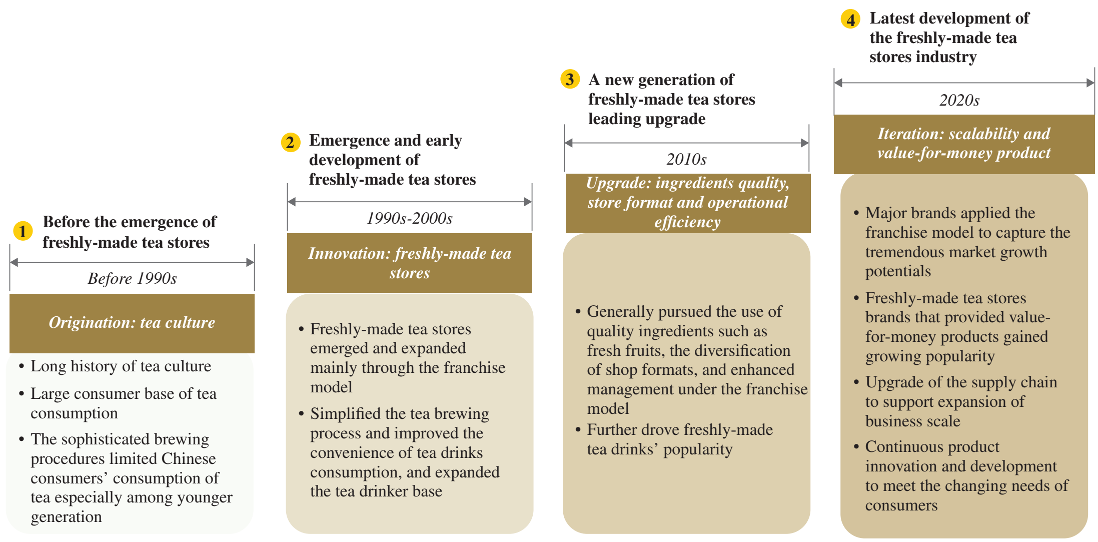
(1) Other freshly-made beverages mainly include fresh juices and yogurt-based beverages.

CHINA'S FRESHLY-MADE TEA STORE MARKET

Freshly-made tea stores primarily offer freshly-made tea beverages for on-site dining, pick-up or delivery. These venues represent the main channels through which consumers access their freshly-made tea beverages.

Market Size and Growth Trends of China's Freshly-made Tea Store Market

China's freshly-made tea store market has witnessed substantial growth and is expected to see persistent and rapid expansion going forward. According to the CIC Report, the GMV of China's freshly-made tea store market increased from RMB55.6 billion in 2017 to RMB168.0 billion in 2022, representing a CAGR of 24.8%. This rapid growth marks the latest development in a series of evolutions of China's freshly-made tea stores over the past decades, as illustrated in the following chart.



Source: The CIC Report

According to the CIC Report, the GMV of China's freshly-made tea store market is expected to further increase to RMB451.3 billion in 2027, at a CAGR of 21.9%. This uptrend stems from an expanding consumer base and amplified consumption frequency of freshly-made tea beverages, driven by the continuous evolution of China's freshly-made tea stores. As consumers continue to demand enhancements in product quality and purchase convenience, as well as more personalized consumption experiences, China's freshly-made tea stores are expected to keep evolving by incorporating more fresh ingredients into their recipes, improving management and operation efficiency through digitalization, optimizing store expansion strategies, and exploring many other potential avenues for innovation.

A significant trend in the evolution of China's freshly-made tea stores has been the increasing adoption of the franchise model. China's freshly-made tea stores consist of chain stores and independent stores, with chain stores operated under the franchise or direct operation models. With a franchise model, brand owners generally can accomplish rapid growth to meet consumers' rising demand, with a lower need for capital investment since they can leverage their franchisee' local knowledge and resources. Recent trends show an increasing preference for the franchise model in China, with franchised stores accounting for 91.8% of the total number of freshly-made tea chain stores as of December 31, 2022 in China.

The traditional franchise model presented challenges to brand owners in terms of maintaining standardized store-level operations and consistently high quality of product offerings. In response, brand owners have been emphasizing tighter control over franchisees, ensuring consistent quality of products and uniform operational standards of stores. For example, leading brands of freshly-made tea stores that adopt the franchise model typically (i) require their franchisees to procure major supplies directly from them to ensure product safety and maintain consistent quality, (ii) deploy dedicated personnel for regular store inspections and implement digital systems to monitor various indicators such as ingredient freshness, adherence to product preparation standards, and the cleanliness and upkeep of store interiors, and (iii) provide clear guidelines for store operations, supported by frequent online and offline trainings.

Competitive Landscape of China's Freshly-made Tea Store Market

China's freshly-made tea store market was historically fragmented and has been continuously consolidating. According to the CIC Report, the top five freshly-made tea store brands' market share, in terms of GMV, increased from 38.5% in 2020 to 44.3% for the nine months ended September 30, 2023.

The following table set forth China's top five freshly-made tea store brands by GMV for the nine months ended September 30, 2023 and by store count as of September 30, 2023. The "*Good me*" brand ranked second in China's freshly-made tea store brands in terms of GMV for the nine months ended September 30, 2023, with a 8.3% market share. Additionally, the "*Good me*" brand stood second in terms of store count as of September 30, 2023.

Ranking of leading freshly-made tea store brands in China by GMV for the nine months ended September 30, 2023 and by store count as of September 30, 2023

Ranking	Brand(1)	Market segment(2)	GMV for the nine months ended September 30, 2023	Market share in terms of GMV for the nine months ended September 30, 2023
			(RMB in billions)	*(%)*
1	Brand A	Low-priced	33.1	20.0%
2	*Good me*	Mid-priced	13.8	8.3%
3	Brand B	Mid-priced	12.5	7.6%
4	Brand C	Mid-priced	7.0	4.2%
5	Brand D	Mid-priced	6.8	4.1%
	Subtotal		**73.2**	**44.3%**
	Total		**165.3**	**100.0%**

Ranking	Brand(1)	Market segment(2)	Store count as of September 30, 2023
1	Brand A	Low-priced	~29,200
2	*Good me*	Mid-priced	8,578
3	Brand B	Mid-priced	~7,500
4	Brand C	Mid-priced	~7,300
5	Brand E	Mid-priced	~7,000
	Subtotal		**~59,600**
	Total		**~456,200**

Source: The CIC Report

Notes:

(1) Brand A is operated by a company headquartered in Henan. Brand B is operated by a company headquartered in Sichuan. Brand C is operated by a company headquartered in Shanghai. Brand D is operated by a company headquartered in Taiwan. Brand E is operated by a company headquartered in Sichuan.

(2) As defined below.

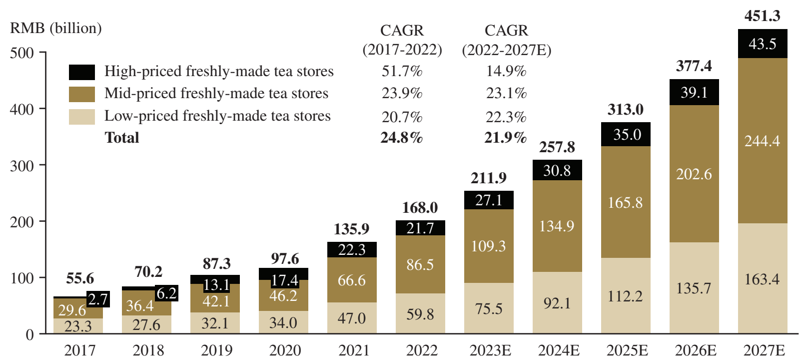
CHINA'S MID-PRICED FRESHLY-MADE TEA STORE MARKET

In general, freshly-made tea stores in China are categorized as: (i) high-priced freshly-made tea stores with an average product list price no less than RMB20, (ii) mid-priced freshly-made tea stores with an average product list price less than RMB20 but greater than RMB10, and (iii) low-priced freshly-made tea stores with an average product list price no greater than RMB10.

The mid-priced freshly-made tea store market represents the largest segment of China's freshly-made tea store market in terms of GMV in 2022 and the fastest-growing segment in terms of expected GMV growth from 2022 to 2027. Compared with the low-priced brands, mid-priced freshly-made tea store brands generally use more quality ingredients such as fresh fruits and fresh milk in their beverages, meeting a rising consumer demand for high-quality beverages. Compared with the high-priced brands, mid-priced freshly-made tea store brands provide better value for money, giving consumers a more suitable alternative for daily consumptions. According to the CIC Report, the GMV of China's mid-priced freshly-made tea store market grew from RMB29.6 billion in 2017 to RMB86.5 billion in 2022, representing a CAGR of 23.9%, and is expected to further increase to RMB244.4 billion in 2027, with a CAGR of 23.1%. This market segment accounted for 51.5% of the total GMV of China's freshly-made tea store market in 2022, and the market share is expected to grow to 54.2% in 2027.

The following diagram sets forth the GMV of China's freshly-made tea store market, broken down by price segments, from 2017 to 2027.

GMV of China's freshly-made tea store market, breakdown by price segments, 2017-2027E



Mid-priced freshly-made tea stores as % of total freshly-made tea store market in terms of GMV										
53.2%	51.9%	48.2%	47.3%	49.0%	51.5%	51.6%	52.3%	53.0%	53.7%	54.2%

Source: The CIC Report

Geographical Distribution of Mid-priced Freshly-made Tea Stores

Cities in China are classified into (i) first-tier, (ii) new first-tier, (iii) second-tier, (iv) third-tier, and (v) fourth-tier and below based on criteria such as the availability of commercial resources and transportation and logistics infrastructure, residents' activities, lifestyle diversity and future outlooks.

Cities ranked second-tier and below are critical for the future growth of the mid-priced freshly-made tea store market, due to their large population and lower penetration of freshly-made tea stores at the current stage. It is vital for mid-priced freshly-made tea store brands to establish a strong presence in these cities to achieve market leadership.

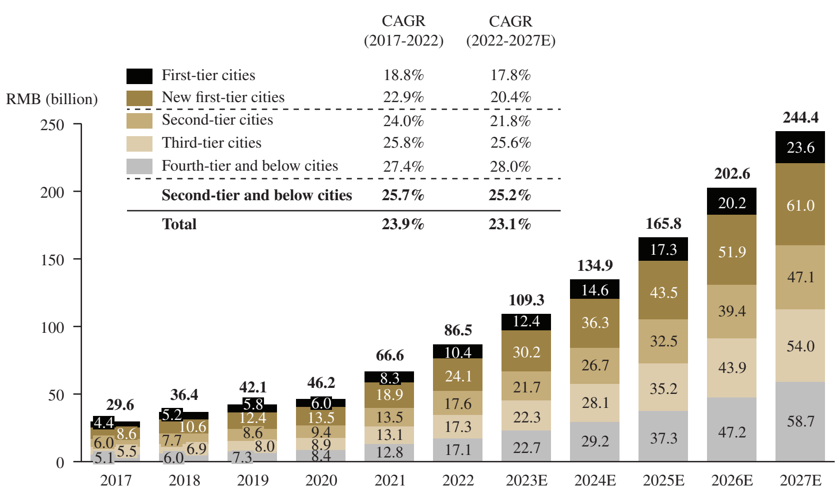
- Given their population size, second-tier and below cities are the largest segment of China's mid-priced freshly-made tea store market. According to the CIC Report, in 2022, mid-priced freshly-made tea stores located in second-tier and below cities constituted 60.1% of the market's total GMV.

- There is significant growth potential in second-tier and below cities due to lower penetration of mid-priced freshly-made tea stores. According to the CIC Report, in 2022, there were approximately 108 mid-priced freshly-made tea stores for every million people in second-tier and below cities, while there were approximately 208 mid-priced freshly-made tea stores for every million people in first-tier and new first-tier cities.

- Second-tier and below cities are forecasted to have the highest growth rate in the coming years and contribute to the majority of the market's overall growth. According to the CIC Report, the GMV of mid-priced freshly-made tea stores in second-tier and below cities is expected to grow from RMB52.0 billion in 2022 to RMB159.8 billion in 2027, representing a CAGR of 25.2%. This growth is expected to contribute 68.3% to the expansion of China's mid-priced freshly-made tea store market in the same period in terms of GMV.

The following diagram sets forth the GMV of China's mid-priced freshly-made tea store market, broken down by city tiers, from 2017 to 2027.

GMV of China's mid-priced freshly-made tea store market, breakdown by city tiers, 2017-2027E



GMV of mid-priced freshly-made tea stores in second-tier and below cities (RMB billion)

2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
16.6	20.6	23.9	26.7	39.4	52.0	66.7	84.0	105.0	130.5	159.8

GMV of mid-priced freshly-made tea stores in second-tier and below cities as % of total GMV

2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
56.1%	56.6%	56.8%	57.8%	59.2%	60.1%	61.0%	62.3%	63.3%	64.4%	65.4%

Source: The CIC Report

Towns (鎮) and townships (鄉), which are administrative areas typically located away from downtown urban areas of cities, generally have the majority of the population and significant unmet demand for freshly-made tea beverages due to a lack of supply. According to the Chinese population census conducted in 2020, approximately 840 million individuals resided in towns and townships, which constituted nearly 60% of the overall population nationwide. In particular, lower-tier cities generally have a higher population proportion resided in towns and townships. Nonetheless, logistics infrastructure in towns and townships is generally underdeveloped, creating supply chain and cost challenges for freshly-made tea stores. Only a few leading brands have successfully penetrated towns and townships, leaving a significant portion of the market untapped. As of September 30, 2023, there were 3,287 "*Good me*" stores in towns and townships, representing approximately 38.3% of the brand's total store count, while China's other top five mid-priced freshly-made tea store brands, as measured by store count as of September 30, 2023, generally had below 25% of their stores located in towns and townships.

Drivers and Trends of the Mid-priced Freshly-made Tea Store Market

The following are the key drivers and trends influencing the market of mid-priced freshly-made tea stores:

- *Formation of consumption habit for freshly-made tea beverages.* Several interrelated factors have spurred the consumption of freshly-made tea beverages. (i) It has become increasingly convenient for consumers to enjoy freshly-made tea beverages with a continuous increase in the number of freshly-made tea stores; (ii) young people, the primary consumers of freshly-made tea beverages in China, have seen their purchasing power rise and have increasingly accepted freshly-made tea beverage consumption as a pleasant, relaxing and indispensable component of their daily life, fully expecting such consumption to continue as they grow older; and (iii) there has been a constant expansion of the consumer base of freshly-made tea beverages, as per capita disposable income and purchasing power grow and as diversified product offerings attract a wider age group. As a result, the frequency of consumption for freshly-made tea beverages is expected to increase. According to the CIC Report, the annual per capita consumption of freshly-made tea beverages in mid-priced freshly-made tea stores is expected to increase from 3.3 cups in 2022 to 9.9 cups in 2027.

- *Heightened consumer emphasis on product quality and value for money.* With increased consumption frequency, freshly-made tea beverages are steadily integrating into the daily routines of consumers, who are increasingly seeking products of both high quality and high value for money. In addition, as freshly-made tea beverages became more easily accessible and their marketing campaigns become more widespread in second-tier and below cities, consumers in these cities have adopted a similar emphasis on product quality and value for money. The overall value proposition of freshly-made tea beverages has become a pivotal aspect of consumers' purchasing decisions. Brands of mid-priced freshly-made tea stores that can provide high-quality products and services at a comparatively affordable price are gaining traction among consumers. Even some of the pricier freshly-made tea store brands are recalibrating their pricing strategies to lean more towards the mid-priced segment, reaffirming the growing significance of providing products of high quality and high value for money.

- *Growing demand for fresh ingredients.* With a growing health awareness among consumers, many brands are venturing into areas emphasizing product freshness and health attributes. This has led to (i) innovations in fruit preservation and processing techniques, approaches for combining flavors of tea and fresh fruits and tea extraction techniques, and (ii) a growing emphasis on supply chain capabilities. Tea beverages made with fresh fruits and fresh milk have received significant attention due to the health benefits associated with consuming fresh fruits and fresh milk.

- *Increased proportion of franchised stores and enhanced standardization.* The proportion of franchised stores within the freshly-made tea store market has been on an upward trajectory. More leading brands are gravitating towards expansion via the franchise model. A key focus during the expansion is the enhancement of store standardization, including the streamlining and automation of the beverage-making process, and the bolstering of training and oversight. These measures help ensure the consistency of products and services, attract more consumers, and boost consumer loyalty and repurchase rates, leading to overall market growth.

- *Expanded consumer accessibility thanks to food delivery services.* Evolving consumer purchase behaviors are leaning towards channels that offer greater convenience. The development of food delivery services in China aligns with this trend, enlarging the service radius of freshly-made tea stores and potentially increasing consumers' purchase frequency. Meanwhile, following this development, poorly managed brands face increased risk of cannibalization. Food deliveries accounted for approximately 13.1% of the GMV of mid-priced freshly-made tea stores in China in 2017, and this figure increased to 41.8% in 2022.

Key Success Factors in the Mid-priced Freshly-made Tea Store Market

Brands that possess the following key success factors have generally achieved better results in the market of mid-priced freshly-made tea stores:

- *Store network expansion capabilities.* Opening new stores directly boosts the sales growth of freshly-made tea store brands. A widespread and dense store network not only enhances brand image but also fortifies consumer loyalty. However, brands adopting a franchise model might struggle to densify their store network after achieving a certain level of geographical coverage. Brands that effectively address concerns from existing franchisees and amplify store density via a strategic store expansion plan are poised for enduring success.

- *Penetration in second-tier and below cities.* Second-tier and below cities in China have a population exceeding 1.1 billion in 2022, yet the density of freshly-made tea stores in these areas lags behind that of first-tier and new first-tier cities. As purchasing power grows in these areas, they offer significant growth potential. The ability to penetrate through these second-tier and below cities, especially the towns and townships, is a critical factor for achieving sustainable growth for mid-priced freshly-made tea store brands. In general, these cities also have a lower population density and less frequent population inflow, making it harder to attract new consumers. Brands that cater to the generally price-sensitive nature of these cities' residents with high value-for-money and consistent products stand a better chance at success. Moreover, brands that have established consumer recognition and loyalty can more effectively attract and retain consumers in these areas.

- *Insistence on product freshness and quality.* The mid-priced freshly-made beverage market in China has evolved from using heavily-processed ingredients towards the increasing adoption of fresh and natural ingredients such as fresh fruits and fresh milk. To establish a competitive barrier and stand out from competitions in the long run, freshly-made tea store brands should strive to serve fresh and high-quality beverages to consumers across their extensive store networks. To do so, brands need to invest in many aspects of their operations, including supply procurement, product development, supply chain management (particularly the warehousing and logistics infrastructure for short-shelf-life ingredients), store operation, and quality control.

- *Robust supply chain capabilities.* Mid-priced freshly-made tea stores rely on ingredients including fresh fruits, tea leaves and fresh milk, which significantly influence beverage taste. Brands need to strengthen their supply chain capabilities, including enhancing ingredient procurement, processing, storage and logistics, particularly in relation to cold-chain capabilities, in order to maintain their product quality and stable supply, sustain positive consumer perceptions and enhanced consumer loyalty. In addition, increasing the density of their store network can result in significant cost advantages through enhanced supply chain efficiency.

- *Franchisee management proficiency.* The performance at the store level is vital for both the franchisees and the brand owner. Favorable store-level profitability attracts quality franchisees, ensuring long-term growth and facilitating network expansion. However, the management skills of franchisees can vary. High-caliber franchisees can significantly elevate a brand's sales and image. Therefore, a harmonious and long-term relationship with franchisees, underpinned by stringent selection processes, effective management mechanism and comprehensive training and support, is vital for the brands adopting a franchise model.

- *Digitalized operation and management.* The development of an advanced technology infrastructure and the continuous application of new technologies are critical for the efficient management of large-scale store networks. For example, some brands have established digital supply chain management systems and incorporated smart appliances in stores to heighten operating efficiency.

- *Expertise in product development.* As the mid-priced freshly-made tea store market rapidly evolves, brands need the capability to launch new products across their extensive store networks. Mid-priced freshly-made tea store brands need to have robust research and analytical capabilities to understand latent consumer demands, and to rapidly develop high-quality products that appeal to consumers.

- *Strong brand image.* Brand is an important factor when consumers choose mid-priced freshly-made tea stores. Mid-priced freshly-made tea stores with exceptional brand reputations supported by consistently high-quality products are able to continuously attract new consumers and retain existing ones, improve consumer loyalty and increase consumer repurchase rate, thereby granting the brand a competitive edge against competitors.

Competitive Landscape of the Mid-priced Freshly-made Tea Store Market

The following table set forth China's top five mid-priced freshly-made tea store brands by GMV for the nine months ended September 30, 2023 and by store count as of September 30, 2023. The "*Good me*" brand is China's largest mid-priced freshly made tea store brand in terms of GMV for the nine months ended September 30, 2023, with a 16.4% market share. The "*Good me*" brand is also China's largest mid-priced freshly made tea store brand in terms of store count as of September 30, 2023.

Ranking of leading mid-priced freshly-made tea store brands in China by GMV for the nine months ended September 30, 2023 and by store count as of September 30, 2023

Ranking	Brand(1)	GMV for the nine months ended September 30, 2023	Market share in terms of GMV for the nine months ended September 30, 2023
		(RMB in billions)	*(%)*
1	*Good me*	13.8	16.4%
2	Brand B	12.5	14.8%
3	Brand C	7.0	8.3%
4	Brand D	6.8	8.1%
5	Brand E	5.4	6.4%
	Subtotal	**45.5**	**54.0%**
	Total	**84.2**	**100.0%**

Ranking	Brand	Store count as of September 30, 2023
1	*Good me*	8,578
2	Brand B	~7,500
3	Brand C	~7,300
4	Brand E	~7,000
5	Brand D	~4,300
	Subtotal	**~34,700**
	Total	**~195,300**

Source: The CIC Report

Note:

(1) Brand B is operated by a company headquartered in Sichuan. Brand C is operated by a company headquartered in Shanghai. Brand D is operated by a company headquartered in Taiwan. Brand E is operated by a company headquartered in Sichuan.

In particular, within second-tier and below cities, the "*Good me*" brand had approximately 20% market share in the mid-priced freshly-made tea store market for the nine months ended September 30, 2023 in terms of GMV. The following table sets forth the store distribution, by city tiers, of the top five mid-priced freshly-made tea store brands by store count as of September 30, 2023 listed above. The "*Good me*" brand had 78.6% of stores located in second-tier and below cities, the largest share among the top five mid-priced freshly-made tea store brands by store count as of September 30, 2023.

Store distribution by city tiers of top five mid-priced freshly-made tea store brands in China by store count as of September 30, 2023

Brand[1]	First-tier cities	New first-tier cities	Second-tier and below cities
	(%)	*(%)*	*(%)*
Good me	2.9	18.4	78.6
Brand B	~11	~29	~60
Brand C	~7	~23	~70
Brand E	~4	~31	~65
Brand D	~15	~32	~53

Source: The CIC Report

Note:

(1) Brand B is operated by a company headquartered in Sichuan. Brand C is operated by a company headquartered in Shanghai. Brand D is operated by a company headquartered in Taiwan. Brand E is operated by a company headquartered in Sichuan.

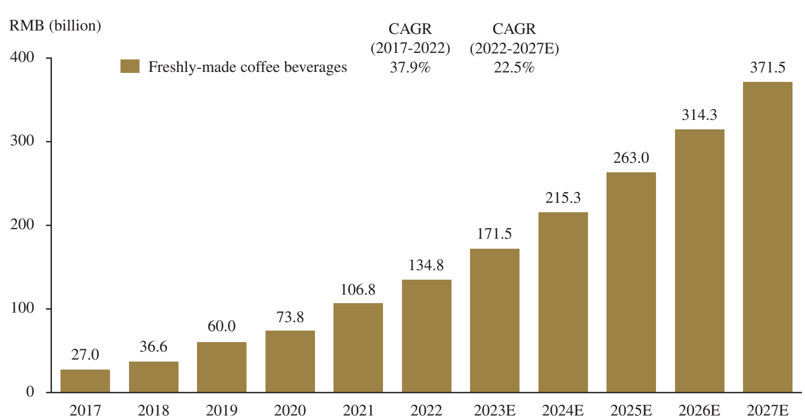
CHINA'S FRESHLY-MADE COFFEE BEVERAGE MARKET

Freshly-made coffee beverages are drinks prepared on-site using coffee extracts or other coffee-centric ingredients. Given the similarities in the consumer demographic for freshly-made tea and coffee beverages, coupled with the synergy in the consumption occasions for both, a growing number of well-established freshly-made tea stores with extensive store networks and robust supply chain capabilities have incorporated freshly-made coffee beverages into their offerings.

China's freshly-made coffee beverage market is at an early stage of development when compared to more mature markets such as the United States. As freshly-made coffee beverages continuously improves in quality and becomes more widely available, their consumption shows steady increases. According to the CIC Report, the GMV of China's freshly-made coffee beverage market grew from RMB27.0 billion in 2017 to RMB134.8 billion in 2022, representing a CAGR of 37.9%. With continuous product innovations and a surge in habitual coffee consumers, the GMV of China's freshly-made coffee beverage market is expected to grow to RMB371.5 billion in 2027, with a CAGR of 22.5%.

The following diagram sets forth the GMV of China's freshly-made coffee beverage market from 2017 to 2027.

GMV of China's freshly-made coffee beverage market, 2017-2027E



Source: The CIC Report

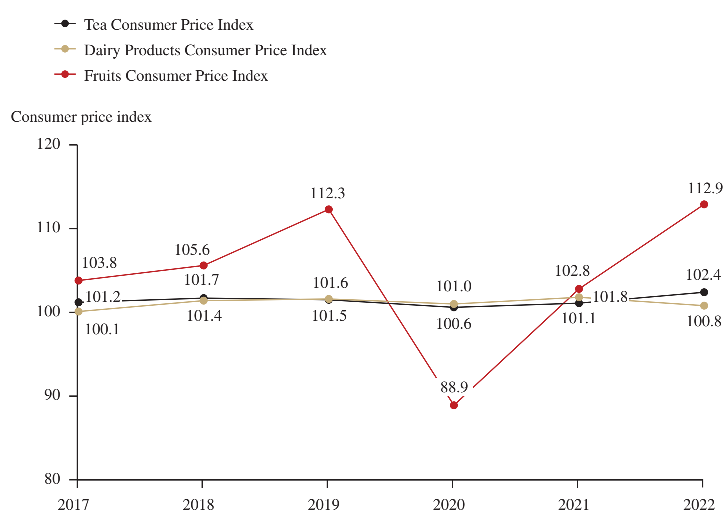
COST OF RAW MATERIALS AND LABOR

Cost of Raw Materials

For freshly-made beverage stores in China, one of the primary cost factors is the expense associated with raw materials, including fruits, tea, and dairy products. The consumer price index for fruits in China has experienced fluctuations over the past few years, increasing from 103.8 in 2017 to 112.3 in 2019, decreasing to 88.9 in 2020, and rebounding to 112.9 in 2022. The consumer price indexes for tea and dairy products have been relatively stable. The consumer price index for tea increased slightly from 101.2 in 2017 to 102.4 in 2022, while dairy products witnessed a minor increase from 100.1 in 2017 to 100.8 in 2022.

The following diagram illustrates changes in the consumer price index for these key raw materials for the years indicated.

Consumer price index[1] for tea, dairy products, and fruits, China, 2017-2022



Source: The CIC Report

Note:

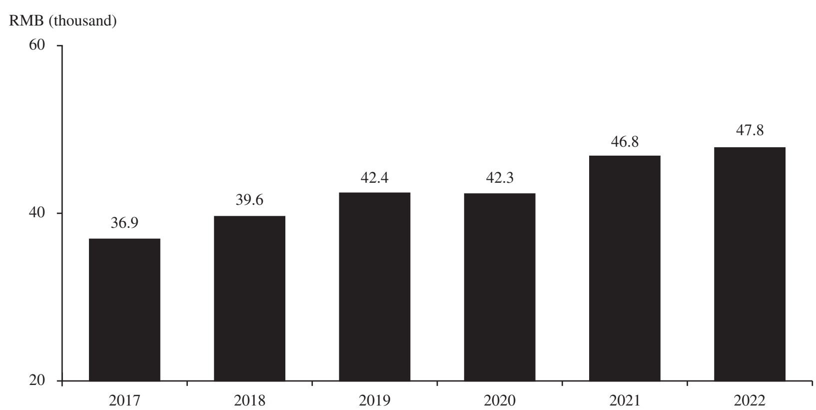
(1) Comsumer price index, or CPI of the previous year is denominated as 100.

Cost of Labor

In line with the rapid growth of China's economy, the average annual salary for employees in China's private sector catering industry increased from RMB36,886 in 2017 to RMB47,847 in 2022 (private sector refers to businesses operated by private individuals or groups, usually for profit, and are not controlled by a government). Labor cost is expected to continue to grow at a moderate rate, driven by factors such as the overarching economic growth, urban development, and inflation.

The following diagram illustrates changes in the average annual salary in China's private sector catering industry for the years indicated.

Average annual salary of employees in the private sector catering industry, China, 2017-2022



Source: The CIC Report

OVERVIEW

We are a leading and fast-growing freshly-made beverage company in China, dedicated to serving fresh, tasty and value-for-money beverages of consistently high quality. Over a decade ago, Mr. Yun'an Wang, our founder, opened the first "*Good me* (古茗)" store in Zhejiang. Over the years, we have successfully attained industry-leading position through our regional densification strategy. Our brand, "*Good me*," is China's largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges, in terms of both GMV in 2023 and store count as of December 31, 2023, according to the CIC Report.

KEY MILESTONES

The following is a summary of our key development milestones:

Year	Event
2010	Mr. Wang opened the first store under the "*Good me*" brand in Zhejiang.
2018	We established Guming Technology, which became our principal operating entity.
2019	Our store count in Zhejiang reached approximately 1,000 and our store network in Fujian reached a critical mass.
	We sold approximately 280 million cups of beverages within the year.
2020	Our total store count exceeded 4,000.
	Our store network in Jiangxi reached a critical mass.
	We launched our in-house developed mini programs and accumulated 13 million registered members within the year.
2021	Our store network in Guangdong reached a critical mass.
	Our own fleet of freight vehicles with cold-chain capabilities reached approximately 200.
2022	Our total store count exceeded 6,000.
	We sold over 850 million cups of beverages within the year.
	Our registered members exceeded 50 million.
	We operated more than 15 warehouses.

Year	Event
2023	Our total store count exceeded 9,000.
	Our store count in Zhejiang exceeded 2,000 and store count in Fujian exceeded 1,000.
	Our store networks in Hubei, Jiangsu, Hunan and Anhui reached a critical mass.
	We sold approximately 1.2 billion cups of beverages within the year.
	Our registered members exceeded 90 million.
	We operated more than 20 warehouses, and our own fleet of freight vehicles with cold-chain capabilities reached approximately 300.

OUR MAJOR SUBSIDIARIES

The following table sets forth certain information of each of our major subsidiaries as of the Latest Practicable Date.

No.	Company	Principal business activities	Shareholding controlled by our Company	Date and jurisdiction of establishment
1.	Guming Technology	Management of our franchised stores; research and development	100%	June 12, 2018, PRC
2.	Zhejiang Qiding Supply Chain Co., Ltd. (浙江奇鼎供應鏈有限公司)	Provision of supply chain services; sale of goods and equipment	100%	August 27, 2020, PRC
3.	Zhejiang Qiming Trading Co., Ltd. (浙江奇茗貿易有限公司)	Provision of supply chain services; sale of goods and equipment	100%	October 8, 2022, PRC

No.	Company	Principal business activities	Shareholding controlled by our Company	Date and jurisdiction of establishment
4.	Zhejiang Guming Supply Chain Management Co., Ltd. (浙江古茗供應鏈管理有限公司)	Provision of supply chain services; sale of goods and equipment	100%	October 10, 2022, PRC
5.	Zhejiang Meiming Trading Co., Ltd. (浙江梅茗貿易有限公司)	Provision of supply chain services; sale of goods and equipment	100%	May 8, 2023, PRC
6.	Zhejiang Mingxingpei Supply Chain Co., Ltd. (浙江茗星配供應鏈有限公司)	Warehousing and logistics management	100%	April 8, 2022, PRC

Note:

(1) During the Track Record Period, Zhejiang Guming Trading Co., Ltd. (浙江古茗商貿有限公司) and Wenling Guming Trading Co., Ltd. (溫嶺古茗商貿有限公司) were our subsidiaries with material revenue contributions. To streamline the corporate structure of our Group, Zhejiang Guming Trading Co., Ltd. was deregistered on December 25, 2023 and Wenling Guming Trading Co., Ltd. was deregistered on December 21, 2023. Their respective businesses had been undertaken by other subsidiaries of our Company in 2023. As advised by our PRC Legal Advisor, Zhejiang Guming Trading Co., Ltd. and Wenling Guming Trading Co., Ltd. were not involved in any material non-compliance, claims or litigations during the Track Record Period and up to their respective deregistration.

ESTABLISHMENT AND DEVELOPMENT OF OUR GROUP

Establishment of Guming Technology

In 2010, Mr. Wang opened the first "*Good me*" store in Zhejiang and operated the business in the form of a sole proprietorship. On June 12, 2018, Guming Technology (formerly known as Zhejiang Guming Technology Co., Ltd. (浙江古茗科技有限公司)) was established as a limited liability company under the laws of the PRC with an initial registered capital of RMB20,000,000 and became our principal operating entity. Guming Technology was wholly owned by Zhejiang Jiali Investment Co., Ltd. (浙江嘉勵投資有限公司) ("**Guming Investment**," formerly known as Zhejiang Guming Investment Co., Ltd. (浙江古茗投資有限公司)) at the relevant time. Guming Investment was collectively owned by Mr. Wang and other initial shareholders of our Group, namely Mr. Qi, Mr. Ruan and Ms. Pan.

In 2019, Guming Investment subscribed for additional registered capital of RMB80,000,000 in Guming Technology. In 2020, all registered capital of Guming Technology was transferred to a number of limited partnerships controlled by Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan at a consideration of approximately RMB145,000,000.

Equity Financings of Guming Technology

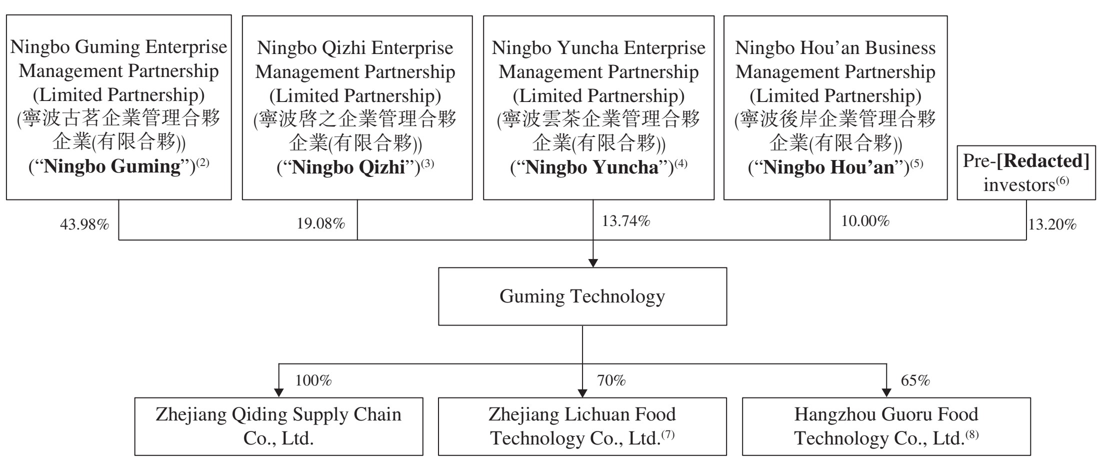
In 2020, Guming Technology completed certain equity financings, pursuant to which certain pre-[**REDACTED**] investors invested in our business. See "— Pre-[**REDACTED**] Investments" below for further details of the Pre-[**REDACTED**] Investments.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and until the Latest Practicable Date, we did not conduct any major acquisitions, disposals, or mergers.

REORGANIZATION

In preparation for the [**REDACTED**], we underwent a reorganization of our corporate structure (the "**Reorganization**"). The following chart[1] sets forth the simplified corporate structure of our Group immediately prior to the commencement of the Reorganization:



Notes:

(1) Zhejiang Guming Trading Co., Ltd. (浙江古茗商貿有限公司) and Wenling Guming Trading Co., Ltd. (溫嶺古茗商貿有限公司) were our subsidiaries with material revenue contributions prior to the Reorganisation and were subsequently deregistered on December 25, 2023 and December 21, 2023, respectively. See "— Our Major Subsidiaries" for details.

(2) Ningbo Guming is a limited partnership established in the PRC, the general partner of which is Mr. Wang and its limited partnership interests are owned as to 93.72% and 6.28% by Mr. Wang and Ms. Pan, respectively.

(3) Ningbo Qizhi is a limited partnership established in the PRC, the general partner of which is Mr. Qi and its limited partnership interests are owned as to 99.0% and 1.0% by Mr. Qi and Ms. Jianxia Yang, the spouse of Mr. Qi, respectively.

(4) Ningbo Yuncha is a limited partnership established in the PRC, the general partner of which is Mr. Ruan and its limited partnership interests are owned as to 99.0% and 1.0% by Mr. Ruan and Ms. Jing Zhang, the spouse of Mr. Ruan, respectively.

(5) Ningbo Hou'an, being an onshore employee shareholding platform, is a limited partnership established in the PRC, the general partner of which is Mr. Wang.

(6) The pre-[**REDACTED**] investors of Guming Technology consist of Changsha Xiangjiang Long-Z Private Equity Investment Fund Partnership (Limited Partnership) (長沙湘江龍珠私募股權投資基金企業(有限合夥)), Shenzhen Long-Z Equity Investment Fund Partnership (Limited Partnership) (深圳龍珠股權投資基金合夥企業(有限合夥)), Shenzhen HongShan Hanchen Equity Investment Partnership (Limited Partnership) (深圳市紅杉瀚辰股權投資合夥企業(有限合夥)), Coatue PE Asia 34 LLC and Tumi Consulting (Beijing) Co., Ltd. (途覓諮詢(北京)有限公司), which are affiliates of our Pre-[**REDACTED**] Investors. See "— Pre-[**REDACTED**] Investments — Information on the Pre-[**REDACTED**] Investors" for details.

(7) The remaining 30% equity interest of Zhejiang Lichuan Food Technology Co., Ltd. (浙江勵川食品科技有限公司) is held by Lishui Qiyu Enterprise Management Partnership (Limited Partnership) (麗水奇昱企業管理合夥企業(有限合夥)), of which Mr. Yu Wu is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Yu Wu and Ms. Fuying Lin, respectively. (i) Mr. Yu Wu is the director of Zhejiang Lichuan Food Technology Co., Ltd., Zhejiang Shuicang Food Technology Co., Ltd. (浙江水倉食品科技有限公司) and Lishui Shuicang Trading Co., Ltd. (麗水水倉貿易有限公司) and the supervisor of Guangxi Hengxian Sanhe Tea Co., Ltd. (廣西橫縣三禾茶業有限公司), each a subsidiary of our Group; and (ii) Ms. Fuying Lin is not a connected person of our Company.

(8) The remaining 35% equity interest of Hangzhou Guoru Food Technology Co., Ltd. (杭州果如食品科技有限公司) is held by Lishui Qisheng Enterprise Management Partnership (Limited Partnership) (麗水奇晟企業管理合夥企業(有限合夥)), of which Mr. Xuanhao Chen is the general partner and the limited partnership of which are owned as to 99% and 1% by Mr. Xuanhao Chen and Ms. Hantong Hao, respectively. Mr. Xuanhao Chen is the director of Zhejiang Guoru Food Technology Co., Ltd. (浙江果如食品科技有限公司) and Hangzhou Guoru Food Technology Co., Ltd., each a subsidiary of our Group, and Ms. Hantong Hao is the supervisor of Zhejiang Guoru Food Technology Co., Ltd. and Hangzhou Guoru Food Technology Co., Ltd., each a subsidiary of our Group.

Establishment of Offshore Corporate Structure

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on August 31, 2021 with an authorized share capital of US$50,000 divided into 5,000,000,000 shares of a par value of US$0.00001 each. Upon incorporation, one Ordinary Share of US$0.00001 was allotted and issued to the initial subscriber at par value, and was subsequently transferred at par value, on the same date, to Ancient Leaves Limited, a limited liability company incorporated in the British Virgin Islands, which is wholly owned by Mr. Wang. On the same date, a total of 1,669,565,219 Ordinary Shares were issued and allotted at par to companies wholly owned by each of Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan, respectively.

On September 13, 2021, Guming Holdings (BVI) Limited was incorporated in the British Virgin Islands as a limited liability company and a direct wholly-owned subsidiary of our Company. On November 22, 2021, Guming (Hong Kong) Limited ("**Guming HK**") was incorporated in Hong Kong as a limited liability company and a direct wholly-owned subsidiary of Guming Holdings (BVI) Limited.

Allotment and Issuance of Shares and Warrants by Our Company

On May 18, 2022, the then shareholders of Guming Technology, directly or through their affiliates, entered into a share subscription agreement and a warrant subscription agreement with our Company to subscribe for shares or warrants, as the case may be, of our Company. On the same date, our Company redesignated its authorized share capital into 4,713,043,460 Ordinary Shares and 286,956,540 Series A Preferred Shares, which were further designated as Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series A-3 Preferred Shares and Series A-4 Preferred Shares. Our Company also issued warrants for subscription of Series A Preferred Shares to certain Pre-[**REDACTED**] Investors or their affiliates. Pursuant to the terms of the respective warrants, the total exercise prices of the warrants are equal to the total amount received by the respective shareholders of Guming Technology pursuant to the capital reduction as described below.

Capital Reduction of Guming Technology and Exercise of Warrants by Pre-[REDACTED] Investors

On June 21, 2022, as part of the Reorganization, Guming Technology and its then shareholders entered into a capital reduction agreement, pursuant to which the registered capital subscribed by the affiliates of the Pre-[**REDACTED**] Investors in Guming Technology were repurchased by Guming Technology. The consideration payable for such capital reduction was used by the Pre-[**REDACTED**] Investors to subscribe for the Preferred Shares as described in the subsection headed "— Allotment and Issuance of Shares and Warrants by Our Company" above.

On October 19, 2022, Guming Technology passed a shareholders' resolution in relation to a reduction of its registered capital, pursuant to which the respective registered capital subscribed by Ningbo Guming, Ningbo Qizhi, Ningbo Yuncha and Ningbo Hou'an in Guming Technology was repurchased by Guming Technology. Following the completion of the above-mentioned capital reduction, Guming Technology became a wholly owned subsidiary of Guming HK.

From May 2022 to September 2023, the Pre-[**REDACTED**] Investors exercised their warrants and were issued an aggregate of 286,956,540 Series A Preferred Shares.

For the corporate structure of our Group after completion of the Reorganization and immediately prior to the [**REDACTED**], see "— Corporate structure immediately before completion of the [**REDACTED**]" in this section.

Compliance with PRC laws

Our PRC Legal Advisor confirmed that: (i) Guming Technology has obtained or made all necessary regulatory approvals, permits, licenses or filings required under PRC Laws in relation to the Reorganization in all material respects; and (ii) all changes in registered capital of Guming Technology as part of the Reorganization has complied with all applicable PRC Laws in all material respects.

ACTING-IN-CONCERT ARRANGEMENT

On June 27, 2020, Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, among others, entered into an acting-in-concert agreement in relation to voting for corporate matters of Guming Technology and its subsidiaries. In view of the Reorganization, on April 14, 2022, Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan and their respective intermediate holding companies through which they are interested in the Shares, namely Modern Leaves Limited, Ancient Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Cousin Tea Limited, Uncle Tea Limited, Spring Equinox Drinks Limited and Winter Solstice Drinks Limited, further entered into an acting-in-concert agreement (the "**Acting-in-Concert Agreement**"), pursuant to which, the parties acknowledge and confirm that from April 14, 2022, at any meeting of our Group where each of them and/or the directors appointed by them is entitled to vote on corporate matters as shareholders or directors, each of them shall discuss and reach consensus on such corporate matters and act in concert, provided that, if no consensus can be reached after full discussions, they will act according to the decision of Mr. Wang. On December 27, 2023, Nascent Leaves Limited, Chivalrous Knights Limited, Nephew Tea Limited and Summer Solstice Drinks Limited, each an intermediate holding company for the family trust established by Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan respectively, entered into a deed of adherence, pursuant to which, Nascent Leaves Limited, Chivalrous Knights Limited, Nephew Tea Limited and Summer Solstice Drinks Limited agreed to comply with the terms of the Acting-in-Concert Agreement as if they were parties to the Acting-in-Concert Agreement (the Acting-in-Concert Agreement and deed of adherence together as the "**Acting-in-Concert Arrangement**"). As of the Latest Practicable Date, the parties to the Acting-in-Concert Arrangement together controlled 1,728,260,872 Shares, representing approximately 79.5% of our issued Shares.

PRE-[REDACTED] INVESTMENTS

Overview

In 2020, we carried out the Pre-[**REDACTED**] Investments. The table below summarizes the principal terms of the Pre-[**REDACTED**] Investments:

Principal Terms of the Pre-[REDACTED] Investments

Date of investment agreements	March 31, 2020 and June 27, 2020
Date of full settlement . . .	November 26, 2020
Approximate amount of consideration paid	RMB674,128,047
Cost per share paid[(1)] . . .	RMB2.33 (in respect of Long-Z and Coatue 34), RMB2.40 (in respect of HongShan) and RMB2.20 (in respect of Abbeay Street)

Discount to the [REDACTED](2)	[**REDACTED**]% (in respect of Long-Z and Coatue 34), [**REDACTED**]% (in respect of HongShan) and [**REDACTED**]% (in respect of Abbeay Street)
Basis of consideration . . .	The basis of consideration of the Pre-[**REDACTED**] Investments was determined through our arm's length negotiations with the relevant parties, based on the valuation of our Group at the time of the investment, taking into account the timing of the investment, the then status of the businesses carried out by our Group, the outlook/growth potential and financial performance of our Group, and the industry in which we operate.
Use of proceeds from the Pre-[REDACTED] Investments	We utilized the proceeds from the Pre-[**REDACTED**] Investments for the operations of our Group and in accordance with the business plan or budget as approved by the Board. As of the Latest Practicable Date, we have utilized all of the proceeds from the Pre-[**REDACTED**] Investments.
Lock-up	The Pre-[**REDACTED**] Investors agreed under the Shareholders Agreement (as defined below) that, if so requested by the [**REDACTED**], the Shares held by them will be subject to lock-up arrangements for the period commencing on the date of this document and ending on the date specified by the Company and the [**REDACTED**] (such period not to exceed one hundred and eighty (180) days from the date of this document).
Strategic benefits of the Pre-[REDACTED] Investments	At the time of the Pre-[**REDACTED**] Investments, our Directors were of the view that in addition to providing additional capital for our Group's continued growth, our Group could also benefit from the knowledge and experience of our Pre-[**REDACTED**] Investors. Moreover, our Directors were of the view that our Group could benefit from the Pre-[**REDACTED**] Investments as the Pre-[**REDACTED**] Investors' investments demonstrated their confidence in the operations of our Group and served as an endorsement of our Group's performance, strengths and prospects.

Notes:

(1) This is calculated based on the approximate amount of consideration paid by the Pre-[**REDACTED**] Investors, taking into account the effect of the Reorganization.

(2) The discount to the [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per Share, being the midpoint of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**].

Special rights of the Pre-[REDACTED] Investors

Certain special rights were granted to our Pre-[**REDACTED**] Investors under the relevant agreements, such as preemptive rights, redemption rights, liquidation preferences, right to appoint directors or observers on the board, rights of first refusal, and information and inspection rights. The redemption rights were terminated prior to our first submission of the [**REDACTED**] by our Company to the Stock Exchange (the "**First Filing**") for the purpose of the [**REDACTED**] in accordance with the guidance in chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange in November 2023, provided that such rights shall resume to be exercisable upon the earliest of (i) the withdrawal or abandonment of such [**REDACTED**] by our Company; (ii) the rejection of such [**REDACTED**] by the Stock Exchange; (iii) the lapse of such [**REDACTED**] and such [**REDACTED**] is not renewed by our Company within [**REDACTED**] months; (iv) the expiry of [**REDACTED**] months from the day of the First Filing if no qualified [**REDACTED**] (as defined in the Shareholders Agreement (as defined below)) has been consummated by then (or such later dates as the parties to the Shareholders Agreement unanimously agree in writing); or (v) the earlier of (a) [**REDACTED**], or (b) the [**REDACTED**] months after the day of the First Filing if no qualified [**REDACTED**] has been consummated by then. All other special rights will terminate upon the completion of the [**REDACTED**] and no special rights granted to the Pre-[**REDACTED**] Investors will survive after the [**REDACTED**], in compliance with the guidance in chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange in November 2023.

In addition, pursuant to the shareholders' agreement entered into between our Company and, among others, the Pre-[**REDACTED**] Investors on December 26, 2023 (the "**Shareholders Agreement**"), the Pre-[**REDACTED**] Investors shall have an anti-dilution option to purchase all or part of the Pro Rata Ratio (as defined below) of total securities issued in a qualified [**REDACTED**]. A Pre-[**REDACTED**] Investor's Pro Rata Ratio is the ratio of (i) the aggregate number of Ordinary Shares held by such Pre-[**REDACTED**] Investor to (ii) the total number of Ordinary Shares then outstanding immediately prior to the closing of the qualified [**REDACTED**], each calculated on an as-converted and fully-diluted basis.

All of the Preferred Shares will be converted into Ordinary Shares on a one-to-one basis immediately upon the completion of the [**REDACTED**], at which our share capital will comprise of one class of shares, namely the Ordinary Shares.

[**REDACTED**]

Compliance with Pre-[REDACTED] Investment Guidance

On the basis that (i) the consideration for the Pre-[**REDACTED**] Investments was settled more than 28 clear days before the date of the First Filing, (ii) the redemption rights granted to the Pre-[**REDACTED**] Investors were terminated prior to the First Filing, and (iii) all other special rights granted to the Pre-[**REDACTED**] Investors shall be terminated upon [**REDACTED**], the Joint Sponsors have confirmed that the Pre-[**REDACTED**] Investments are in compliance with the guidance in chapter 4.2 of the Guide for New Listing Applicants issued by the Hong Kong Stock Exchange in November 2023.

Information on the Pre-[REDACTED] Investors

Set our below is a description of all of our Pre-[**REDACTED**] Investors. To the best knowledge of the Company, each of the Pre-[**REDACTED**] Investors, together with their respective ultimate beneficial owners, is an independent third party.

Long-Z

Each of Beijing Meiming Enterprise Management Consulting Partnership (Limited Partnership) (北京美茗企業管理諮詢合夥企業(有限合夥)) ("**Meiming**") and Beijing Meiyan Enterprise Management Consulting Partnership (Limited Partnership) (北京美岩企業管理諮詢合夥企業(有限合夥)) ("**Meiyan**", together with Meiming, "**Long-Z**") is a limited partnership established under the partnership laws of the PRC. Ningbo Meishan Bonded Port Area Meixing Private Equity Fund Management Co., Ltd. (寧波梅山保税港區美興私募基金管理有限公司) ("**Ningbo Meixing**") is the general partner of Meiming, and Shenzhen Meizhu Enterprise Management Co., Ltd. (深圳市美珠企業管理有限責任公司) ("**Shenzhen Meizhu**") is the general partner of Meiyan. Shenzhen Meizhu is wholly-owned by Ningbo Meixing, which is in turn controlled by Mr. Yonghua Zhu (朱擁華), an independent third party. As of the Latest Practicable Date, Meiming and Meiyan held in aggregate approximately 8.00% of the total issued shares of our Company.

HongShan

Max Mighty Limited ("**HongShan**") is a limited liability company incorporated under the laws of Cayman Islands, which is owned by Beijing HongShan Jingming Management Consulting Center (Limited Partnership) (北京紅杉璟茗管理諮詢中心(有限合夥)) ("**HongShan Jingming**"), a limited partnership incorporated under the laws of the PRC. The general partner of HongShan Jingming is Shenzhen HongShan Antai Equity Investment Partnership (Limited partnership) (深圳紅杉安泰股權投資合夥企業(有限合夥)), whose general partner is Shenzhen HongShan Huanyu Investment Consulting Co., Ltd. (深圳市紅杉桓宇投資諮詢有限公司) ("**HongShan Huanyu**"). HongShan Huanyu is ultimately controlled by Mr. Zhou Kui (周逵), an independent third party. As of the Latest Practicable Date, Max Mighty Limited held approximately 4.00% of the total issued shares of our Company.

Coatue 34

Coatue PE Asia 34 LLC ("**Coatue 34**") is a limited liability company incorporated under the laws of Delaware. It is controlled and managed by Coatue Management, L.L.C., who is an investment advisor regulated under the SEC. Coatue Management, L.L.C. is controlled by Philippe Laffont, an independent third party. As of the Latest Practicable Date, Coatue PE Asia 34 LLC held approximately 1.00% of the total issued shares of our Company.

Abbeay Street

Abbeay Street Capital Inc ("**Abbeay Street**") is a limited liability company incorporated under the laws of Cayman Islands, which is wholly owned by Star Budding Capital Limited, a limited liability company incorporated in the British Virgin Islands. Star Budding Capital Limited is ultimately controlled by Wang Yimiao, an independent third party. As of the Latest Practicable Date, Abbeay Street Capital Inc held approximately 0.20% of the total issued shares of our Company.

CAPITALIZATION OF OUR COMPANY

The following table sets out the shareholding structure of our Company as of the Latest Practicable Date and immediately upon the completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

Shareholders	Ordinary Shares	Series A-1 Preferred Shares[1]	Series A-2 Preferred Shares[1]	Series A-3 Preferred Shares[1]	Series A-4 Preferred Shares[1]	Subtotal	Shareholding percentage as of the Latest Practicable Date	Shareholding percentage upon completion of the [REDACTED]
Controlling Shareholders[2]								
Modern Leaves Limited[2][3]	939,441,461	–	–	–	–	939,441,461	43.21%	[REDACTED]%
Chivalrous Lancers Limited[2][4]	429,999,961	–	–	–	–	429,999,961	19.78%	[REDACTED]%
Cousin Tea Limited[2][5]	298,782,650	–	–	–	–	298,782,650	13.74%	[REDACTED]%
Spring Equinox Drinks Limited[2][6]	60,036,800	–	–	–	–	60,036,800	2.76%	[REDACTED]%
Pre-*[REDACTED] *Investors								
Coatue PE Asia 34 LLC[7]	–	21,739,140	–	–	–	21,739,140	1.00%	[REDACTED]%
Abbeay Street Capital Inc[7]	–	–	4,347,820	–	–	4,347,820	0.20%	[REDACTED]%
Beijing Meiming Enterprise Management Consulting Partnership (Limited Partnership) and Beijing Meiyan Enterprise Management Consulting Partnership (Limited Partnership)[7]	–	–	–	173,913,040	–	173,913,040	8.00%	[REDACTED]%
Max Mighty Limited[7]	–	–	–	–	86,956,540	86,956,540	4.00%	[REDACTED]%

Shareholders	Ordinary Shares	Series A-1 Preferred Shares[(1)]	Series A-2 Preferred Shares[(1)]	Series A-3 Preferred Shares[(1)]	Series A-4 Preferred Shares[(1)]	Subtotal	Shareholding percentage as of the Latest Practicable Date	Shareholding percentage upon completion of the [REDACTED]
Others								
Thriving Leafbuds Limited[(8)]	84,086,951	–	–	–	–	84,086,951	3.87%	[REDACTED]%
Nascent Sprouts Limited[(9)]	74,608,697	–	–	–	–	74,608,697	3.43%	[REDACTED]%
Other [**REDACTED**]	–	–	–	–	–	–	–	[REDACTED]%
Total	**1,886,956,520**	**21,739,140**	**4,347,820**	**173,913,040**	**86,956,540**	**2,173,913,060**	**100%**	**100%**

Notes:

(1) Each Series A-1 Preferred Share, Series A-2 Preferred Share, Series A-3 Preferred Share and Series A-4 Preferred Share shall be converted into one Ordinary Share with effect from the [**REDACTED**].

(2) Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, Modern Leaves Limited, Ancient Leaves Limited, Nascent Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Chivalrous Knights Limited, Cousin Tea Limited, Uncle Tea Limited, Nephew Tea Limited, Spring Equinox Drinks Limited, Winter Solstice Drinks Limited and Summer Solstice Drinks Limited are parties acting in concert with each other pursuant to the Acting-in-Concert Arrangement. For details, see "— Acting-in-Concert Arrangement" in this section.

(3) Modern Leaves Limited is owned by (i) Nascent Leaves Limited, which is in turn wholly-owned by a trust established by Mr. Wang as the settlor with his family members being the beneficiaries, as to 99.0% and (ii) Ancient Leaves Limited, which is wholly owned by Mr. Wang, as to 1.0%.

(4) Chivalrous Lancers Limited is owned by (i) by Chivalrous Knights Limited, which is in turn wholly-owned by a trust established by Mr. Qi as the settlor with his family members being the beneficiaries, as to 99.0% and (ii) Chivalrous Cavalry Limited, which is wholly owned by Mr. Qi, as to 1.0%.

(5) Cousin Tea Limited is owned by (i) Nephew Tea Limited, which is in turn wholly-owned by a trust established by Mr. Ruan as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Uncle Tea Limited, which is wholly owned by Mr. Ruan, as to 1.0%.

(6) Spring Equinox Drinks Limited is owned by (i) Summer Solstice Drinks Limited, which is in turn wholly-owned by a trust established by Ms. Pan as the settlor with her family members being the beneficiaries, as to 99.0%; and (ii) Winter Solstice Drinks Limited, which is wholly owned by Ms. Pan, as to 1.0%.

(7) For details of our Pre-[**REDACTED**] Investors, see "— Pre-[**REDACTED**] Investments — Information on the Pre-[**REDACTED**] Investors" in this section.

(8) Thriving Leafbuds Limited is an employee shareholding platform held by Futu Trustee Limited in its capacity as trustee of a trust established to hold Shares for the benefits of Mr. Hailing Meng, the chief financial officer of our Company, Mr. Yu Qiang, the chief technology officer of our Company, and certain employees of our Group (who are not directors, senior management or connected persons of our Group) and our Company is the settlor of the trust. None of such individuals held 30% or more interest in such shareholding platform as at the Latest Practicable Date. The relevant Shares held by Thriving Leafbuds Limited were issued by our Company as incentive and for the benefit of the employees.

(9) Nascent Sprouts Limited is an employee shareholding platform held by Kastle Limited in its capacity as trustee of a trust established to hold Shares for the benefits of Ms. Yayu Jin and Mr. Yunjiang Cai, each an executive Director, Mr. Jifeng Li, the chief operating officer of our Company, and certain employees of our Group (who are not directors, senior management or connected persons of our Group) and our Company is the settlor of the trust. Each of Ms. Yayu Jin and Mr. Yunjiang Cai is interested in approximately 0.78% and 0.97% of the Shares held by such shareholding platform, respectively, and no shareholder of such entity held 30% or more interest in such shareholding platform as at the Latest Practicable Date. The relevant Shares held by Nascent Sprouts Limited were issued by our Company as incentive and for the benefit of the employees.

PRC REGULATORY REQUIREMENTS

SAFE Registration

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014, which replaced the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-Raising and Round-Trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular 75**"), (i) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular 13**"), promulgated by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located, and the SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

As advised by our PRC Legal Advisor, as of the Latest Practicable Date, Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan, the main ultimate individual owners of our Company who are PRC residents, have completed the required registration with the local SAFE branch under the SAFE Circular 37.

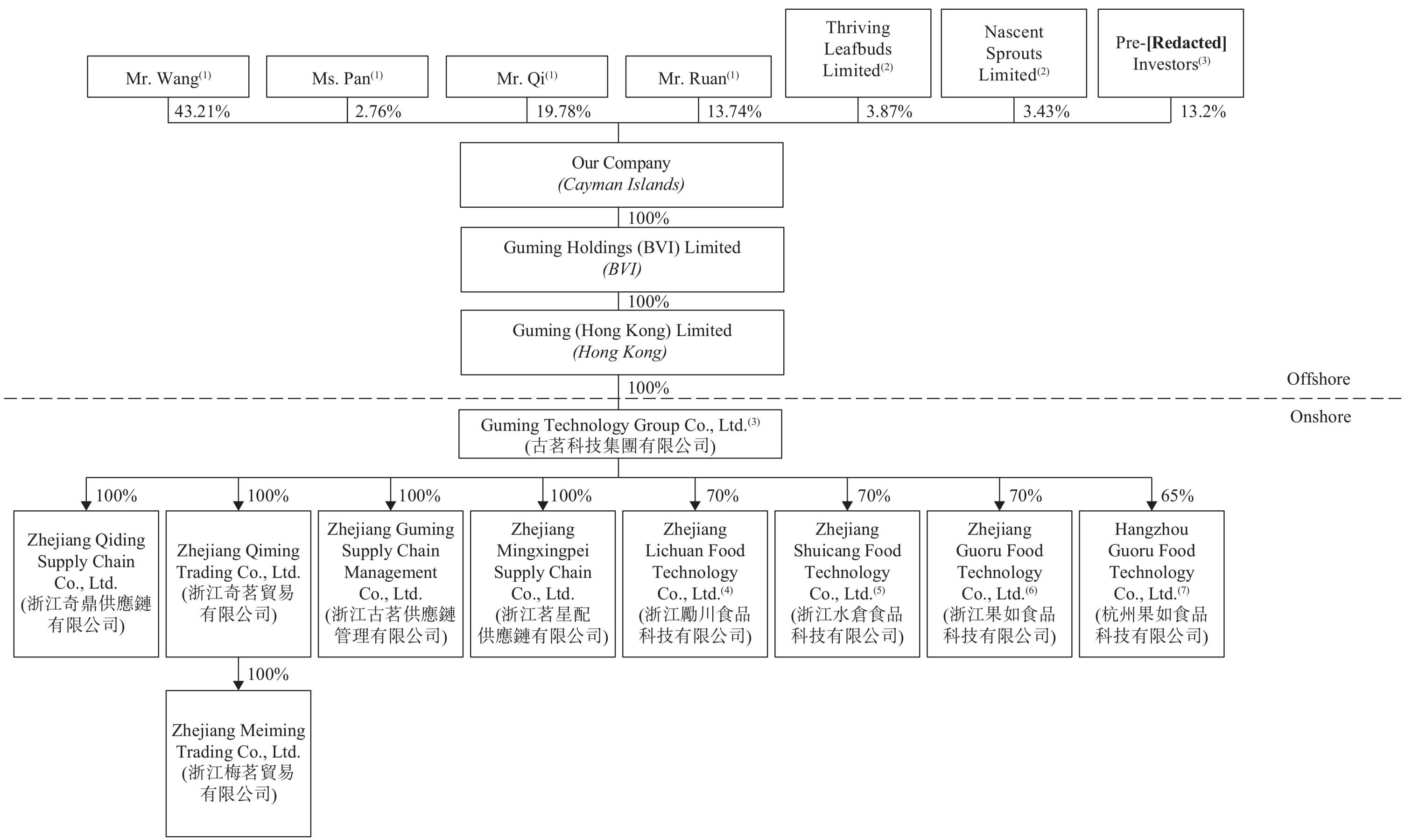
M&A Rules

Pursuant to Article 11 of the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the CSRC, the SAIC (currently known as the SAMR) and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009 with immediate effect, approval from MOFCOM is required where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it, acquires a domestic company which is related to or connected with it. As confirmed by our PRC Legal Advisor, since Guming Technology was a foreign-invested enterprise immediately prior to the Reorganization and the Reorganization did not involve any acquisition of domestic enterprises, Article 11 of the M&A Rules is not applicable to the Reorganization.

CORPORATE AND SHAREHOLDING STRUCTURE

Corporate structure immediately before completion of the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately prior to the completion of the [**REDACTED**]:



Notes:

(1) These Shares are held by Modern Leaves Limited, Chivalrous Lancers Limited, Cousin Tea Limited and Uncle Tea Limited respectively, which is controlled by Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan, respectively. See "— Capitalization of our Company" for details. Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan and among others, are parties acting in concert with each other pursuant to the Acting-in-Concert Arrangement.

(2) Each of Thriving Leafbuds Limited and Nascent Sprouts Limited is an employee shareholding platform. See "— Capitalization of our Company" for details.

(3) See "— Pre-[**REDACTED**] Investments — Information on the Pre-[**REDACTED**] Investors" for details.

(4) The remaining 30% equity interest of Zhejiang Lichuan Food Technology Co., Ltd. (浙江勵川食品科技有限公司) is held by Lishui Qiyu Enterprise Management Partnership (Limited Partnership) (麗水奇昱企業管理合夥企業(有限合夥)), of which Mr. Yu Wu is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Yu Wu and Ms. Fuying Lin, respectively. (i) Mr. Yu Wu is the director of Zhejiang Lichuan Food Technology Co., Ltd., Zhejiang Shuicang Food Technology Co., Ltd. (浙江水倉食品科技有限公司) and Lishui Shuicang Trading Co., Ltd. (麗水水倉貿易有限公司) and the supervisor of Guangxi Hengxian Sanhe Tea Co., Ltd. (廣西橫縣三禾茶業有限公司), each a subsidiary of our Group; and (ii) Ms. Fuying Lin is not a connected person of our Company.

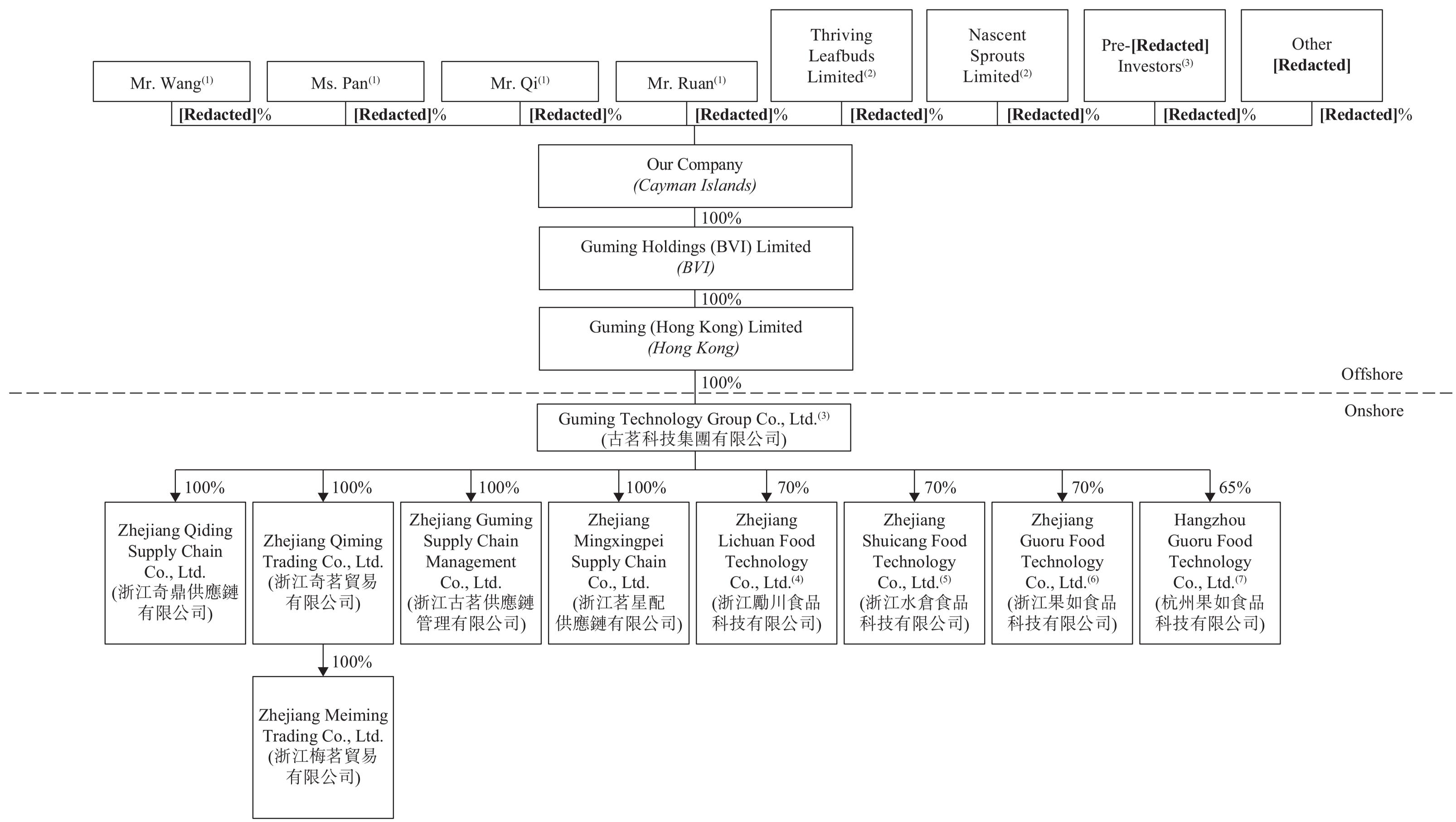
(5) The remaining 30% equity interest of Zhejiang Shuicang Food Technology Co., Ltd. (浙江水倉食品科技有限公司) is held by Lishui Qiyu Enterprise Management Partnership (Limited Partnership), of which Mr. Yu Wu is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Yu Wu and Ms. Fuying Lin, respectively. (i) Mr. Yu Wu is the director of Zhejiang Lichuan Food Technology Co., Ltd., Zhejiang Shuicang Food Technology Co., Ltd. and Lishui Shuicang Trading Co., Ltd. and the supervisor of Guangxi Hengxian Sanhe Tea Co., Ltd., each a subsidiary of our Group; and (ii) Ms. Fuying Lin is not a connected person of our Company.

(6) The remaining 30% equity interest of Zhejiang Guoru Food Technology Co., Ltd. (浙江果如食品科技有限公司) is held by Lishui Qisheng Enterprise Management Partnership (Limited Partnership) (麗水奇晟企業管理合夥企業(有限合夥)), of which Mr. Xuanhao Chen is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Xuanhao Chen and Ms. Hantong Hao, respectively. Mr. Xuanhao Chen is the director of Zhejiang Guoru Food Technology Co., Ltd. and Hangzhou Guoru Food Technology Co., Ltd. (杭州果如食品科技有限公司), respectively, each a subsidiary of our Group, and Ms. Hantong Hao is the supervisor of Zhejiang Guoru Food Technology Co., Ltd. and Hangzhou Guoru Food Technology Co., Ltd., respectively, each a subsidiary of our Group.

(7) The remaining 35% equity interest of Hangzhou Guoru Food Technology Co., Ltd. is held by Lishui Qisheng Enterprise Management Partnership (Limited Partnership), of which Mr. Xuanhao Chen is the general partner and the limited partnership interests of which are owned as to 99% and 1% by Mr. Xuanhao Chen and Ms. Hantong Hao, respectively. Mr. Xuanhao Chen is the director of Zhejiang Guoru Food Technology Co., Ltd. and Hangzhou Guoru Food Technology Co., Ltd., respectively, each a subsidiary of our Group, and Ms. Hantong Hao is the supervisor of Zhejiang Guoru Food Technology Co., Ltd. and Hangzhou Guoru Food Technology Co., Ltd., respectively, each a subsidiary of our Group.

Corporate structure immediately following the [REDACTED]

The following diagram illustrates the simplified corporate and shareholding structure of our Group immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Notes (1) to (7): Please refer to the details contained in the preceding page.

OVERVIEW

We are a leading and fast-growing freshly-made beverage company in China, dedicated to serving fresh, tasty and value-for-money beverages of consistently high quality. Our brand, "*Good me* (古茗)," is China's largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges, in terms of both GMV in 2023 and store count as of December 31, 2023, according to the CIC Report. In 2023, we generated a gross merchandise value, or GMV, of RMB19.2 billion, representing an increase of 37.2% from 2022. Our store network encompassed 9,001 stores as of December 31, 2023, representing an increase of 35.0% from December 31, 2022, making us one of the top five freshly-made beverage brands globally in terms of store count as of December 31, 2023.

Over a decade ago, Mr. Yun'an Wang, our founder, opened the first "*Good me*" store in his hometown Daxi, a small town in Zhejiang. There, consumers had limited access to freshly-made tea beverages with fresh fruits and other quality ingredients, largely due to the underdeveloped supply chain infrastructure in these typical lower-tier markets. With a firm belief that the freshly-made beverage industry will evolve towards greater preference for fresh ingredients, Mr. Wang embarked on a journey to serve freshly-made tea beverages made from quality ingredients with short shelf-life distributed through our industry-leading cold-chain delivery. Along our way, the persistent efforts to serve lower-tier markets have given us deep consumer and market insights, which, together with our leading operating efficiency, enabled us to serve high-quality beverages at affordable prices for the daily consumption of consumers.

We have steadily expanded our store network under what we refer to as the regional densification strategy. We believe that operating a network of at least 500 stores in a province signifies a critical mass. Leveraging our experience and advantage in provinces with a critical mass, we strategically venture into neighboring provinces. We first reached a critical mass in Zhejiang, where we continued to grow and now operate over 2,000 stores. As of December 31, 2023, we had established provincewide networks with a critical mass in eight provinces, which collectively accounted for 87% of our GMV in 2023, and led us to become China's largest mid-priced freshly-made tea store brand. According to the CIC Report, for the nine months ended September 30, 2023, we captured over 25% of the overall GMV of the mid-priced freshly-made tea store markets in these eight provinces. In each of Zhejiang, Fujian and Jiangxi where we established store networks with a critical mass the earliest, we captured over 45% market share in the mid-priced market and achieved the highest market share in terms of GMV in the freshly-made tea store markets across all price ranges. As we expand our store network, we maintained positive year-over-year same-store GMV growth in these eight provinces with dense store networks and nationwide during each of the three years ended December 31, 2023.

Under our regional densification strategy, we strategically allocate resources towards building store networks with high geographical density across all city tiers in target provinces. As of December 31, 2023, our store count in second-tier and below cities accounted for 79% of our total store count, the highest percentage as compared to those of the other top five mid-priced freshly-made tea store brands in China, according to the CIC Report. In addition, as of December 31, 2023, 38% of our stores were located in towns (鎮) and townships (鄉),

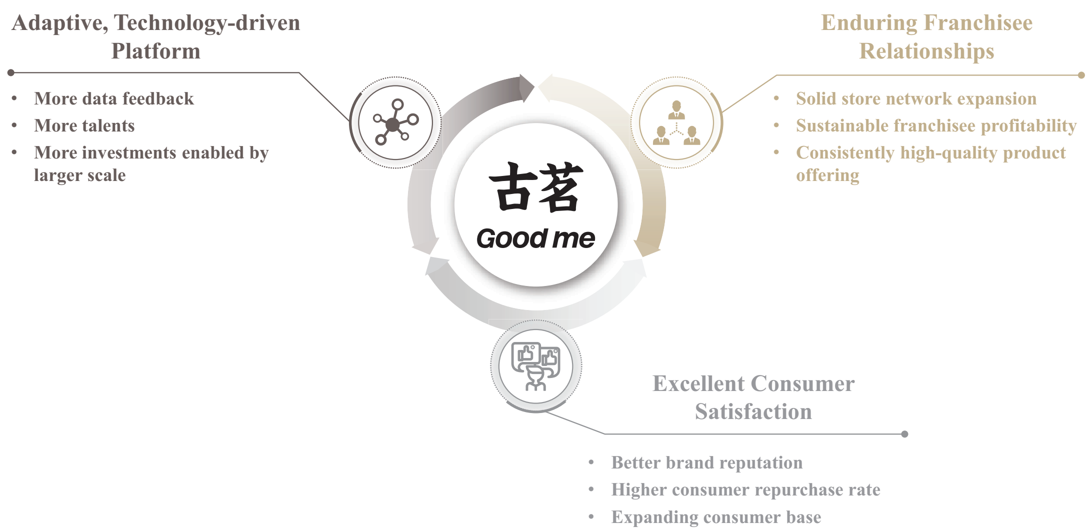
which are administrative areas typically located away from downtown urban areas of cities. The percentage of our stores in these areas was the highest among the top five mid-priced freshly-made tea store brands in China.

The great density of our stores in a geographical area allows us to benefit from economies of scale. For example, our dense store network significantly enhances our warehousing and logistics efficiency. We provide cold-chain supply delivery to over 97% of our stores every two days upon request. Among the top 10 freshly-made tea store brands in China in terms of GMV in the nine months ended September 30, 2023, we are the only brand capable of frequent delivery of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities, according to the CIC Report. During the Track Record Period, the logistics cost for delivery from our warehouses to stores was approximately 0.9% of our total GMV on average, whereas the industry average was around 2% according to the CIC Report. Substantially all beverages on our menu are made from short-shelf-life fresh fruits, tea leaves and/or fresh milk that are stored and distributed through our cold-chain warehousing and logistics infrastructure, which is the largest in the industry.

We believe that the shared success of our franchisees is crucial for our business. In 2023, our franchisees' per-store operating profit reached RMB376 thousand and franchisees' per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period, according to the CIC Report. The strong performance of our stores leads to franchisees' strong willingness to open more "*Good me*" stores. As of September 30, 2023, among the franchisees that had operated "*Good me*" stores for over two years, each on average operated 3.1 stores and 75% operated two or more franchised stores. Sharing the perspective of longtermism, we have built close and enduring franchisee relationships. These relationships enable effective and efficient store operations and consistent high-quality product and service offerings, which further enhance consumer experience and improve store-level performance, thereby attracting more franchisees and solidifying franchisee relationships, forming a virtuous cycle.

Consistent with our slogan, "one cup a day, always enjoy it (每天一杯喝不膩)," we provide our consumers with a variety of innovative and value-for-money product offerings of consistently high quality. Leveraging our strong product development capabilities, we regularly launch new beverages to keep our offerings appealing. In the nine months ended September 30, 2023, we launched 107 beverages. While we frequently update our menu, we are capable of having tens of thousands of stores serve product offerings of consistent quality and taste, enabling "*Good me*" to become a popular brand among consumers. We have accumulated a loyal member base and recorded industry-leading repurchase rates. We had accumulated approximately 94 million registered members on our mini programs as of December 31, 2023 with over 36 million quarterly active members in the three months ended December 31, 2023. In 2023, our average quarterly repurchase rate reached 53%, far exceeding the average of below 30% among mid-priced freshly-made tea store brands in China, according to the CIC Report.

Our adaptive and technology-driven platform capabilities encompass digitalized and automated operations, food-science-centric research and development, and robust supply chain management. In particular, we built the largest information technology team in China's freshly-made tea beverage industry as of September 30, 2023 according to the CIC Report. Empowered by our platform capabilities, we have concurrently expanded our extensive store network, achieved sustainable franchisee profitability, and provided diverse product offerings with consistently high quality. Moreover, our powerful platform capabilities, the enduring franchisee relationships and elevated consumer satisfaction reinforce each other. The diagram below illustrates the positive feedback loop.



We generate revenue mainly from the sales of goods and equipment and the provision of services to our franchisees. We have experienced substantial growth during the Track Record Period. Our revenue increased by 26.8% from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022, and increased by 33.9% from RMB4,161.7 million for the nine months ended September 30, 2022 to RMB5,570.9 million for the same period in 2023. Our profit for the year/period was RMB24.0 million and RMB372.0 million in 2021 and 2022, respectively, and RMB275.5 million and RMB1,002.0 million for the nine months ended September 30, 2022 and 2023, respectively. Our adjusted profit (non-IFRS measure) was RMB769.6 million and RMB788.1 million in 2021 and 2022, respectively, and RMB603.2 million and RMB1,044.5 million for the nine months ended September 30, 2022 and 2023, respectively. For more details, see "Financial Information — Description of Major Components of Our Results of Operations — Non-IFRS Measures."

OUR COMPETITIVE STRENGTHS

We believe the following strengths position us well to capitalize on the opportunities in China's freshly-made tea store market.

Largest Brand in the Fast-growing Mid-priced Freshly-made Tea Store Market in China

Our "*Good me*" brand is China's largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges, as measured by both GMV in 2023 and store count as of December 31, 2023, according to the CIC Report. Our GMV increased by 37.2% to RMB19.2 billion in 2023 from RMB14.0 billion in 2022, which represented approximately 18% market share of the mid-priced freshly-made tea store market in China in 2023, according to the CIC Report. Our store count increased by 35.0% to 9,001 as of December 31, 2023 from 6,669 as of December 31, 2022, making us one of the top five freshly-made beverage brands globally in terms of store count as of December 31, 2023.

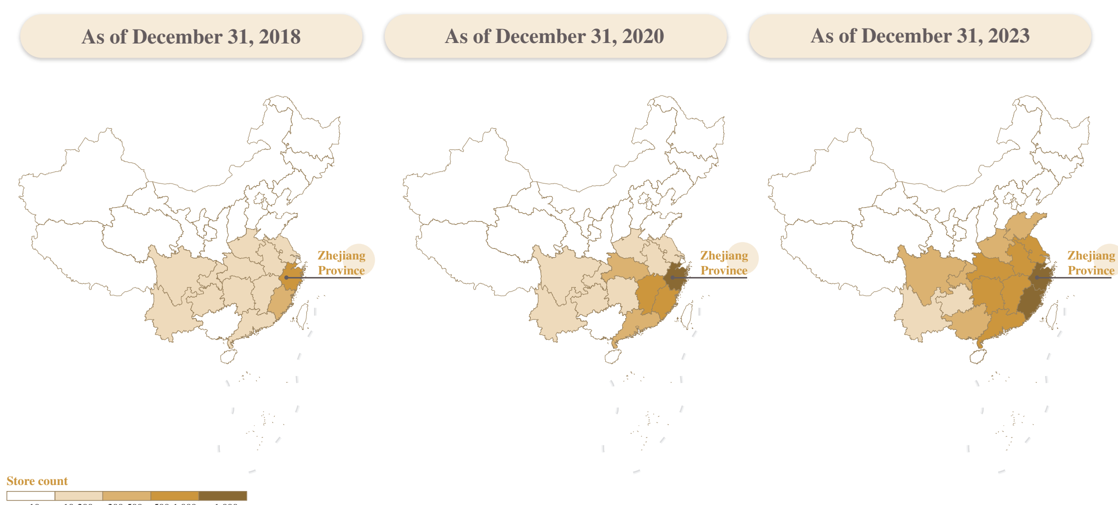
According to the CIC Report, the mid-priced segment of China's freshly-made tea store market is the largest and the fastest-growing segment. The GMV of China's mid-priced freshly-made tea store market reached RMB86.5 billion in 2022 and is expected to further increase to RMB244.4 billion in 2027, with a CAGR of 23.1%. In particular, second-tier and below cities are expected to have the highest growth rate from 2022 to 2027 and contribute to the majority of the market's overall growth. We have successfully established our leading presence in second-tier and below cities. As of December 31, 2023, our store count in second-tier and below cities accounted for 79% of our total store count, the highest percentage as compared to those of the other top five mid-priced freshly-made tea store brands in China, according to the CIC Report. In 2023, the GMV generated by "*Good me*" stores in second-tier and below cities reached RMB14.7 billion, which represented approximately 22% market share, making us the largest brand of the mid-priced freshly-made tea store market in these cities, according to the CIC Report. At the same time, as of December 31, 2023, 38% of our stores were located in towns and townships, where the majority of China's population reside. According to the CIC Report, the presence of our stores in towns and townships is significantly higher than those of other top five mid-priced freshly-made tea store brands in China, both in terms of absolute store count and the percentage within our total store count.

We are well positioned to capture the growth opportunities and maintain our leading position. Enabled by our effective regional densification strategy, the close and enduring franchisee relationships we formed under the perspective of longtermism, the consistently high-quality product offerings, and our adaptive, technology-driven platform capabilities, we expanded our consumer base and recorded excellent consumer reviews and industry-leading repurchase rates. Our average quarterly repurchase rate reached 53% in 2023, far exceeding the average of below 30% among mid-priced freshly-made tea store brands in China, according to the CIC Report. As such, we believe we can maintain our leadership in China's freshly-made tea store market going forward.

Solid Store Network Expansion under Our Regional Densification Strategy

We achieved our industry-leading position with solid store network expansion. We have managed to expand our store network under the regional densification strategy while simultaneously enhancing store performance. Under our disciplined expansion approach, we strategically allocate resources towards building store networks with high geographical density across all city tiers in target provinces to achieve economies of scale, and then steadily venture into nearby provinces.

As of December 31, 2023, we have built provincewide networks with a critical mass in eight provinces in China, which collectively accounted for 87% of our GMV in 2023 and led us to become China's largest mid-priced freshly-made tea store brand. By capitalizing on our accumulated operational experience and the natural spread of our brand reputation among consumers and franchisees, we have consistently replicated our regional densification strategy to neighboring provinces. We first reached a critical mass in Zhejiang, where we continued to grow and now operate over 2,000 stores. We then reached a critical mass in Fujian in 2019 and Jiangxi in 2020. As of December 31, 2023, we had also established a store network with a critical mass in each of Guangdong, Hubei, Jiangsu, Hunan and Anhui. As of December 31, 2023, we had presence in 15 provinces in China where we will continue to densify our store network, and we will also prudently and efficiently expand into other provinces. The following graphs illustrate the steady expansion footprint of our store network and ample room for our further growth.



We have accomplished the following under our regional densification strategy:

- According to the CIC Report, for the nine months ended September 30, 2023, we captured over 25% of the overall GMV of the mid-priced freshly-made tea store markets in the eight provinces where our store networks reached a critical mass. Furthermore, during the same period, we achieved the highest market share in terms of GMV in the freshly-made tea store markets across all price ranges in each of Zhejiang, Fujian and Jiangxi where we established store networks with a critical mass the earliest, and in each prefecture-level area of these three provinces. In addition, we achieved over 25% market share in the overall freshly-made tea store market and over 45% market share in the mid-priced market in each of these three provinces.

- During each of the three years ended December 31, 2023, we maintained positive year-over-year same-store GMV growth nationwide while we continually densified our store network. In particular, we also maintained positive year-over-year same-store GMV growth in these periods in each of Zhejiang, Fujian and Jiangxi where we established store networks with a critical mass the earliest. The same-store GMV growth demonstrates the high-quality growth of our store network.

- Our dense store network significantly enhances our warehousing and logistics efficiency. We provide cold-chain supply delivery to over 97% of our stores every two days upon request. Among the top 10 freshly-made tea store brands in China in terms of GMV in the nine months ended September 30, 2023, we are the only brand capable of frequent delivery of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities, according to the CIC Report. During the Track Record Period, the logistics cost for delivery from our warehouses to stores was approximately 0.9% of our total GMV on average, whereas the industry average was around 2% according to the CIC Report.

Sustainable Franchisee Profitability and Enduring Franchisee Relationships

We believe that achieving shared success with our franchisees is crucial to our business. Embracing longtermism, we seek to sustain franchisee profitability and foster close and enduring franchisee relationships, which enable us to attract and retain capable franchisees that stand shoulder to shoulder with us to deliver high-quality products and services to consumers over the long run.

We have maintained strong franchisee profitability. In 2023, our franchisees' per-store operating profit reached RMB376 thousand and franchisees' per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period, according to the CIC Report. In particular, in fourth-tier and below cities, our franchisees' per-store operating profit was RMB386 thousand in 2023, over 10 times of the annual disposable income per capita in these areas in 2022, bringing significant income to our franchisees' household. The strong performance of our stores leads to franchisees' strong willingness to open more "*Good me*" stores. As of September 30, 2023, among the franchisees that had operated "*Good me*" stores for over two years, each operated 3.1 stores on average and 75% operated two or more franchised stores.

We aim to foster close and enduring franchisee relationships by cultivating a franchisee culture grounded in values such as unity, sincerity, and continuous pursuit of excellence. Beginning with franchisee selections, we adopt a rigorous process to ensure we onboard individuals who resonate with our longtermist philosophy. When opening new stores, we offer various supports, such as site selection and comprehensive trainings, among others, to ease the process. For day-to-day operations, we help optimize franchisee profitability by centrally sourcing and supplying quality ingredients at competitive prices and bearing a majority of the warehousing and logistics expenses to reduce their cost. In addition, we are the first freshly-made tea store company in China that established a franchisee committee to gather franchisees' feedbacks on potential major business decisions, according to the CIC Report. To promote transparent communication, the annual "*Good me*" nationwide franchisee conferences were held in the past 10 years consecutively. Our culture that underscores franchisee support deepens our relationships with our franchisees, which lead to mutual trust and enhanced loyalty. The close and enduring franchisee relationships enable effective and efficient store operations and consistent high-quality product and service offerings, which enhance consumer experience and improve store-level performance, thereby attracting more franchisees and solidifying franchisee relationships, forming a virtuous cycle.

Diverse, Consistent and High-quality Product Offerings, Broadly Embraced by Consumers

Consistent with our slogan, "one cup a day, always enjoy it (每天一杯喝不膩)," we provide our consumers with a variety of innovative and value-for-money product offerings of consistently high quality. Our store menu typically contains approximately 30 beverages at a time, offering three categories of beverages, namely (i) fruit tea beverages, (ii) milk tea beverages, and (iii) coffee beverages and others. Our industry-leading cold-chain warehousing and logistics infrastructure allows us to prepare substantially all of these beverages with short-shelf-life fresh fruits, tea leaves and/or fresh milk. Leveraging our product development capabilities, we regularly launch new beverages to keep our offerings appealing and to capture emerging opportunities presented by evolving industry trends. In 2021, 2022 and the nine months ended September 30, 2023, we launched 94, 82 and 107 beverages, respectively. While we frequently update our menu, we are capable of having tens of thousands of stores serve product offerings of consistent quality and taste. In particular, we use a scientific approach at recipe development stage to factor in the impact of potential variances in store operations, implement "smart store" systems to standardize operating procedures, adopt centralized supply chain management, and provide comprehensive training to and supervision of our franchisees. We also maintain an unwavering commitment to food quality and safety. Backed by a dedicated quality control team of over 100 professionals as of September 30, 2023, and leveraging our team of over 360 supervisors and inspectors as of the same date, our quality control measures cover the entire operating process, including product development, procurement, warehousing and logistics, and store operations.

Thanks to the consistently high quality of our store offerings, "*Good me*" has grown to be a broadly embraced brand among consumers. We engage with our consumers through both online social media platforms and offline marketing channels. For example, in the "First Cup of Milk Tea in Autumn" campaign on August 8, 2023, integrating both online and offline marketing efforts, we achieved a daily GMV of over RMB130 million. During the "May 20" marketing campaign in 2023, we also recorded a daily GMV of over RMB100 million through our livestreaming event on a short-video platform. Moreover, we have been crafting and launching creative and diverse marketing campaigns that resonate well with our consumers. In October 2023, our collaboration with "*Heaven Official's Blessing* (天官賜福)," a popular fantasy anime showcasing Chinese culture, was an instant hit among consumers. The beverages under this collaboration achieved sales of approximately 6.7 million cups within three days after launch. On launch day, "*Good me*" achieved the highest ranking for Douyin keyword search index (抖音關鍵詞搜索指數) and Weixin index (微信指數) among the freshly-made tea store brands in China, and was ranked top five on Weibo's Hot Search list. In December 2023, we launched a collaboration with "*Mysterious Lotus Casebook* (蓮花樓)," a popular Chinese TV series. "*Good me*" reached No. 1 on Weibo's Hot Search list after the launch.

Enabled by our consistently high-quality products and effective and diverse marketing campaigns, we effectively enhance our brand awareness among consumers. We received excellent consumer reviews, accumulated a loyal member base, and recorded industry-leading repurchase rates. According to the CIC Consumer Survey, we were recognized as the most favored freshly-made tea store brand across all price ranges among the surveyed consumers. In particular, over 95% of our consumers attested to our products' freshness and tastiness and over 90% praised their consistency, value for money, diversity and purchasing convenience, and expressed willingness to repurchase. Among the surveyed consumers, "*Good me*" also enjoyed the highest top-of-mind awareness among freshly-made tea store brands in China across all price ranges. We had accumulated approximately 94 million registered members on our mini programs as of December 31, 2023 with over 36 million quarterly active members in the three months ended December 31, 2023. In 2023, our average quarterly repurchase rate reached 53%, far exceeding the average of below 30% among mid-priced freshly-made tea store brands in China, according to the CIC Report.

Our Adaptive, Technology-Driven Platform Capabilities

We believe in introducing and applying technologies to revolutionize the traditional catering service stores. To that end, we have established adaptive, technology-driven platform capabilities which can empower tens of thousands of stores.

Digitalized and Automated Operations

We have been actively building our information technology team since 2018. As of September 30, 2023, this team has grown to include over 300 engineers, being the largest information technology team in China's freshly-made tea beverage industry according to the CIC Report. Our proprietary technologies digitalize, automate, and seamlessly integrate our business operations, improving our and our stores' operating efficiency and enhancing our communications with stores, franchisees and consumers.

- *Stores Operation*. We have implemented a "smart store" system across our stores, which includes the digitalization, standardization and automation of operating procedures to improve our stores' operating efficiency and enhance product quality. For example, our ingredient expiration management module updates ingredient expiring time after each preparation procedure throughout the food preparation processes. We have also developed smart appliances integrated with IoT to improve the operating efficiency of our stores and maintain the quality of our beverages. For instance, through IoT, our proprietary tea brewer can automatically adjust brewing parameters based on our centralized inputs, which factor in water acidity in different regions and tea leaf varieties, among others, delivering a consistent, optimal tea flavor across our stores.

- *Franchisee Management and Support*. Our online franchisee management and support system can facilitate site selection, recruitment, comprehensive training, and store visits and inspections, among others. For example, built upon our constantly expanding database that encompassed over 18,500 store sites as of September 30, 2023, our self-evolving algorithm can make recommendations based on franchisees' expertise and preferences, enhancing site-selection efficacy. The feedback from store operation also allows us to accumulate more insights to further improve our algorithm. In addition, our system can automatically generate tailored routes and store-specific checklists for store supervisors to ensure comprehensive store supervisions while improving efficiency.

- *Consumer Engagement*. We have launched our membership program through our mini programs and Weixin official account and accumulated a large and loyal member base. We are able to automatically and dynamically customize marketing strategies and recommend product offerings based on members' preferences and order history.

Food-Science-Centric Product Research and Development

Our product research and development focus on the continuous research, analysis, and experiments in food sciences. We are a pioneer that engaged in the fundamental research of food sciences in China's freshly-made tea store market and possesses comprehensive research and development capabilities, according to the CIC Report. As of September 30, 2023, we had a team of over 110 employees dedicated to product research and development. In particular, over 40 employees are specialized in the research of tea leaves and extraction. Within the team, approximately half possess a master's or more advanced degree.

Our product research and development team includes "connoisseurs," who continually originate product inspirations and monitor the latest consumer preference trends, and "engineers," who rigorously analyze ingredients with a scientific approach, usually with degrees in fields such as food science, agriculture and tea science. Our "engineers" quantify the flavors of different ingredients in terms of, for instance, aroma, acidity and sweetness. In this way, we have accumulated flavor profiles of over 1,000 ingredients of different varieties and/or from different suppliers. During product development, our "connoisseurs" collaborate closely with our "engineers." Following the acute sense of consumer preference of the "connoisseurs," and armed with the scientific analytics of various ingredients from our "engineers," we are able to continually introduce fresh flavors from various ingredients to our products, thereby continually refining our existing beverages, quickly launching new beverages and expanding our product range. In each of the three years ended December 31, 2023, our top 10 best-selling beverages included two to three completely new beverages we launched in the same or prior year, and these beverages continue to be popular over time.

Our food-science-centric research and development extend beyond product development to supply chain management. In general, senior members of our procurement center have worked in our product research and development team before, which enables seamless collaboration between these two teams, thereby ensuring fresh, high-quality and stable supply from the field to the cup. We process, pack and ship fruits with various advanced technologies to ensure their freshness. For example, by promptly processing mangoes at source and strictly controlling their packaging, delivery and ripening processes, we decreased the ripening spoilage rate to 9% in the nine months ended September 30, 2023, far below the industry average of approximately 20%, according to the CIC Report. Our fundamental research also led our attention to the high pressure pasteurization technology (HPP). According to the CIC Report, we are a pioneer that introduced it to our industry for ingredient processing. Our stores consumed the largest volume of HPP-processed fruit juices in the freshly-made tea store market in China for the nine months ended September 30, 2023. In addition, as of September 30, 2023, we owned the only Hyperbaric 525i HPP system in mainland China, which is the highest standard HPP equipment among its supplier's product portfolio.

Robust Supply Chain Management Ensuring Freshness, Stability, and Cost Efficiency

We require franchisees to procure all materials from us to ensure quality and consistency, making us one of the very few companies in the industry that enforce such requirements, according to the CIC Report. Our centralized and integrated supply chain management encompasses ingredient sourcing, processing, warehousing to logistics. We procured over 81,600 tons of fresh fruits spanning across over 30 kinds in 2022, making us the largest purchaser among China's freshly-made tea store brands in the same period, according to the CIC Report. The large volume of our fresh fruit procurement offers substantial economies of scale, allowing us to supply ingredients to our stores at competitive prices, well below market averages. In addition, directly sourcing key ingredients and establishing long-term collaborations with trusted suppliers helps ensure consistent quality and stable supply at optimized cost. By effectively forecasting ingredient types and quantities, we can preemptively lock in key terms of our procurement agreement, thereby optimizing costs and ensuring uninterrupted supplies. When demand changes, our broad supplier base allows us to procure with flexibility to meet consumer needs. At the same time, our closely collaborating product research and development and supply chain management team can quickly adjust product mix to alleviate the impact on our inventory and supplies.

We also operate the largest cold-chain warehousing and logistics infrastructure among China's freshly-made tea store brands as of September 30, 2023, according to the CIC Report, enabling cold-chain supply delivery to over 97% of our stores every two days upon request. In the nine months ended September 30, 2023, we completed cold-chain delivery of approximately RMB3 billion worth of ingredients, the highest in China's freshly-made tea store industry according to the CIC Report. As of September 30, 2023, our warehousing infrastructure consisted of 21 warehouses with an aggregate floor area of over 200,000 square meters, including cold storage spaces of over 40,000 cubic meters supporting various temperature ranges. Our regional densification strategy enhances the efficiency of our warehousing and logistics operations. As of September 30, 2023, over 75% of our stores are located within 150 kilometers of one of our warehouses. Our proprietary logistics distribution system harnesses advanced algorithms to intelligently match our available resources with the logistics demand, optimizing delivery route to substantially reduce delivery costs. We also closely monitor our supply chain from end to end, keeping track of vehicle temperature, speed and location, among others.

Diverse Management Relentlessly Pursuing Excellence, Open and Inclusive Culture

Our founder, Mr. Yun'an Wang, is a young and visionary entrepreneur. Since he opened the first store under the "*Good me*" brand in 2010, Mr. Wang has acutely observed the changes and opportunities in the freshly-made beverage industry, in particular in lower-tier cities, and led us to maintain our industry-leading position as the industry continuously evolves. Growing up in an entrepreneurial culture, Mr. Wang empathizes with sole proprietors and have in-depth understanding of our franchisees' typical needs, which helps foster close and enduring franchisee relationships. With an engineering background, Mr. Wang's commitment to constantly refining product quality and strengthening our platform, along with his firm belief in long-term mutually beneficial relationship with franchisees, have guided our business to this day.

Led by Mr. Wang, our talented management team comprises individuals with diverse perspectives and complementary expertise. It encompasses company veterans, accomplished experts recognized in their respective fields, and home-grown young talents attuned to evolving consumer trends. This combination of diverse professional backgrounds and age groups fosters multi-perspective feedback during decision-making. Guided by our entrepreneurial spirit valuing openness, our management team swiftly adapts to changing market environments, engaging in rapid upgrades and refinement, as we continually pursue excellence.

We adhere to a simple and candid communication style, fostering a humble and honest atmosphere that cultivates strong bonds among our people and extending to our partners. We embrace an inclusive and open corporate culture, which allows us to continually attract talented individuals with diverse backgrounds and perspectives. Attracted by our culture, some franchisees have become our employees, bringing first-hand insights on consumer preference and on-the-ground operational experience that further strengthen our business.

We are committed to being responsible corporate citizens, continuously fulfilling corporate social responsibility. Since 2020, we have gradually adopted the use of environmentally friendly materials for our cups, straws and product stickers. As of September 30, 2023, our franchisees and we collectively and accumulatively created employment opportunities for at least 130,000 people, and our efforts to directly procure ingredients from the sources have benefited many producers in the agriculture sector. In 2023, we cofounded the "new tea beverages charity fund" with the China Foundation for Rural Development to facilitate rural area development, provide industrial support for farmers and explore sustainable paths for rural area revitalization.

OUR GROWTH STRATEGIES

We will continue to pursue the following strategies which will drive further growth.

Expand Our Store Network and Solidify Our Industry-leading Position

Guided by our regional densification strategy, an efficient and replicable expansion strategy which has been proven effective, we plan to continue increasing the spread and density of our store network in China, achieve further revenue growth and solidify our leadership position in the industry through the following measures.

- *Increasing our store density in existing markets.* We expect to continue increasing our store density in the 15 provinces where we have presence. We expect that our products of consistently high quality and strong store performance will help extend our consumer reach and drive our growth in these markets.

- *Expanding our store network to new markets.* Leveraging our rich experience executing the regional densification strategy, we intend to expand into new areas and capture the untapped market opportunities. As of December 31, 2023, there were 19 provinces in China where we had yet to have presence, providing us with ample room for growth. We will strategically venture into provinces adjacent to where we have presence.

We will also continually evaluate opportunities to enter overseas markets. According to the CIC Report, the GMV of the global freshly-made beverage market reached US$721.8 billion in 2022, and is expected to reach US$1,043.3 billion in 2027, with a CAGR of 7.6%. As of December 31, 2023, we were one of the top five freshly-made beverage brands globally in terms of store count. We will prioritize markets where freshly-made beverages have large growth potential. We will also factor in the development of supply chain infrastructures and the extension of our platform to support our overseas store network.

Enhance Our Technologies to Improve Operating Efficiency

We intend to increase investment in our proprietary technologies to further strengthen our technology-driven platform, thereby continuously empowering and digitalizing our operations. We plan to focus on the following areas:

- *Business management.* We will continue to invest in technologies related to our business management, enabling efficient coordination internally and with our franchisees and other business partners.

- *Store operation.* We have implemented our "smart store" systems which integrate software and smart appliances for our store operations. We will further enhance these technologies to improve our stores' operating efficiency and ensure the consistency of offerings across our stores.

- *Intelligent decision-making*. Leveraging our accumulated business insights, we aim to strengthen our business intelligence tools to optimize various aspects of our operation, including product development, procurement, warehousing and logistics, and sales and marketing, among others.

- *Talent recruitment.* We plan to continue to recruit and cultivate technology talents.

Continue to Invest in Product Research and Development to Refine and Expand Our Product Offerings

We will continue to focus on fundamental research of food science and strengthen our product development capabilities. In the past, we have been able to capture evolving freshly-made tea beverage market trends, optimize our offerings accordingly and regularly launch new tea beverages to meet consumers' needs. Going forward, we will continue to refine our existing products and launch innovative beverages that cater to evolving consumer preferences and attract a broader consumer base.

As we solidify our position in the freshly-made tea beverage market, we plan to enrich our product mix and expand into new categories, such as further enriching freshly-made coffee beverage offerings, to capture more cross-selling opportunities and fulfill more diversified consumer needs. We believe these new offerings will help expand consumer base and increase consumer purchase frequencies, which will further drive our revenue growth.

Strengthen Our Branding and Consumer Engagement Efforts

We plan to continue investing in branding and consumer engagement activities to upgrade our brand image and strengthen our reputation. We will launch diverse consumer engagement activities to elevate our brand image and enhance consumer recognition. At our stores, we will continue to intensify engagement with our consumers. We plan to further leverage online marketing methods such as developing creative online promotional content related to trending topics and events and collaborating with key opinion leaders. We will enhance consumer interaction through online social media and content platforms, and we will also create new collaborations with popular media content, such as anime and television shows.

In addition, we will further develop our membership program by offering more tailored member engagement activities and marketing campaigns to improve consumer experience and enhance consumer loyalty.

Enhance Our Supply Chain Capabilities

We will further invest in our industry-leading supply chain infrastructure, which will support our store network expansion and enable us to consistently deliver fresh and quality ingredients to our stores. We plan to focus on the following areas:

- *Procurement.* As our business continues to scale up and our brand receives greater recognition, we expect to enjoy greater bargaining power when procuring our supplies. We will continue to procure quality ingredients, such as tea leaves and fresh fruits, directly from their source to ensure their freshness.

- *Ingredient processing.* Our new processing facility in Zhuji, Zhejiang is currently under construction and expected to commence operation in 2024, which will enhance our ingredient processing capacity and capabilities.

- *Warehousing and logistics.* As we expand our store network to new regions or increase our presence in existing markets, we will holistically evaluate our warehousing cost and delivery efficiency, and strategically invest in our warehousing and logistics infrastructure. We will continue to refine our cold-chain capabilities to deliver short-shelf-life ingredients, such as fresh fruits, to our stores, including those in lower-tier cities, and maintain the stability of our deliveries and the quality of our ingredients.

BRAND AND PRODUCT OFFERINGS

Our Brand

Our brand "*Good me*" is derived from our Chinese brand name "古茗," which refers to fine tea from ancient times. Our Chinese brand name, adopted since our inception, reflects our long-held commitment to the time-honored craft of tea. We draw inspirations from the meticulous methods of tea-making in ancient China and seek to embody the traditional craftsmanship in our freshly-made beverages. Our English brand, "*Good me*," was derived from our Chinese brand name due to their similar pronunciations. It also brings new meanings to our brand, representing our goal to bring joy and happiness into our consumers' daily lives. Consistent with our slogan, "one cup a day, always enjoy it (每天一杯喝不膩)," we endeavor to deliver a regularly updated lineup of fresh, tasty and value-for-money beverages of consistently high quality, aiming to attract and retain consumers across all city tiers in China.

Our beverages are broadly embraced by consumers and have received excellent consumer reviews. According to the CIC Consumer Survey, we were recognized as the most favored freshly-made tea store brand across all price ranges among the surveyed consumers. In particular, over 95% of our consumers attested to our products' freshness and tastiness and over 90% praised their consistency, value for money, diversity and purchasing convenience, and expressed willingness to repurchase. Among the surveyed consumers, "*Good me*" also enjoyed the highest top-of-mind awareness among freshly-made tea store brands in China across all price ranges. We had accumulated approximately 94 million registered members on our mini programs as of December 31, 2023 with over 36 million quarterly active members in the three months ended December 31, 2023. In 2023, our average quarterly repurchase rate reached 53%, far exceeding the average of below 30% among mid-priced freshly-made tea store brands in China, according to the CIC Report.

Product Offerings at "*Good me*" Stores

"*Good me*" stores generated a GMV of RMB19.2 billion in 2023, representing an increase of 37.2% from RMB14.0 billion in 2022. We focus on three categories of beverage offerings at "*Good me*" stores: (i) fruit tea beverages, (ii) milk tea beverages, and (iii) coffee beverages and others.

Fruit Tea Beverages

Our fruit tea beverages are made with tea and a variety of fresh fruits, many with short shelf-life, and are characterized by their vibrant, refreshing tastes. For the nine months ended September 30, 2023, our fruit tea beverages collectively accounted for 51% of the total number of cups sold. Illustrated below are some of our representative fruit tea beverages.

- Superb Grape and Cheese (超A芝士葡萄) has consistently been one of our best-selling beverages, achieving total sales of over 130 million cups during the Track Record Period. We have continually fine-tuned its recipe over the years and have upgraded the recipe 11 times since its initial launch in June 2019. To optimize the taste and consistency of our beverages all year round, we make use of different types of grapes in different seasons and, leveraging our food-science-centric product development capabilities, matches various grape types with particular tea bases for better flavor.

- Superb Peach and Cheese (超A芝士桃桃) made use of fresh, premium peaches, procured from 22 different sources in seven provinces in the nine months ended September 30, 2023, that have consistent sweetness, ripeness and firmness. Our product research and development team also tested 210 types of Oolong teas and evaluated over 100 tea blending formula to select the final tea base for the beverage.

- Fragrant Lemon (一顆香水檸) is an innovative beverage built around Taiwan citrus lemons (臺灣香水檸檬), a particular type of lemon. We source our lemons from Yunnan, the only lemon-producing area in mainland China with a rainforest climate, according to the CIC Report. The rainforest climate provides the right condition to ensure the fragrant aroma of these lemons. We also customized a tea base using premium tea leaves to complement the citrus lemons' taste.

- Full of Waxberries (滿杯楊梅) attests to our commitment to maintaining the freshness of a delicate fruit with very short shelf-life with the support of our industry-leading supply chain capabilities. Striving to enable our consumers to have waxberries with freshly-harvested taste, we distribute them to stores with end-to-end cold-chain delivery, covering as long as 2,300 kilometers from the source to our stores.

Milk Tea Beverages

Our milk tea beverages generally have a smooth and creamy flavor and can be served with tapioca pearls, or boba, and/or a range of other additional toppings. For the nine months ended September 30, 2023, our milk tea beverages collectively accounted for 38% of the total number of cups sold. The images below showcase some of our representative milk tea beverages.

- *Good me* Milk Tea (古茗奶茶), created since the early days of our brand, has consistently been our best-selling beverage in terms of annual cups sold in 2021, 2022 and 2023, with over 309 million cups sold during the Track Record Period. We continually refined its recipe to maintain its competitive edge. For example, our product research and development team has carefully curated black teas from India, Sri Lanka and Yunnan, China to create a blended tea base with stable and rich flavors.

- All-in-one Milk Tea (什麼都有) has also been a long-time consumer favorite thanks to its one-litre size, rich ingredients, and high value for money with a typical list price of RMB14. The beverage makes use of multiple ingredients requiring on-site cooking, which demonstrates the in-store ingredient processing capabilities of our stores.

- Longjing with Qingtuan (龍井香青團) innovatively replaces boba with a traditional Chinese sticky rice ball, Qingtuan. The "connoisseurs" in our product research and development team were drawn to Qingtuan as part of their market research efforts and realized how well it complements the flavor of Longjing, a classic fine tea from Zhejiang. This finding led us to consider combining the two ingredients. The "engineers" in our product research and development team then explored the optimal mix of Longjing tea leaves from different sources to find the ideal tea base for the beverage.

- Cape Jasmine in the Clouds (雲霧梔子青) is an example of our light milk tea series (輕乳茶系列) launched in 2023 in response to market demand. With ingredients including premium green tea, which is sourced from high mountains in Sichuan and scented with the aroma of cape jasmine blossoms (梔子花), and quality fresh milk, this seasonal beverage was widely embraced by our consumers and, immediately after launch, sold over two million cups per week for eight consecutively weeks.

Coffee Beverages and Others

We also serve coffee beverages, including traditional coffee beverages, innovative beverages that combine coffee with tea or fresh fruits, and other offerings such as yogurt shake, classic tea, bakery products and branded merchandise at our stores. These products enrich our product offerings, allowing us to serve a wider consumer base and cater to more diversified consumption scenarios. For the nine months ended September 30, 2023, the beverages sold under this category collectively accounted for 11% of the total number of cups sold. The images below showcase some of our favored products in this category.

- Osmanthus Latte (月下桂滿拿鐵) illustrates our ability to innovatively fuse coffee with tea to create a well-balanced flavor. Made with carefully selected coffee beans, and a Longjing tea base scented with the aroma of osmanthus blossoms, the main ingredients complement and enhance each other for a rich and novel taste.

- Durian Latte (榴槤拿鐵) brings together fresh fruits with coffee. We carefully considered over 80 varieties of durians from Thailand and Malaysia to identify the right durian that enriches rather than overshadows the taste of coffee. We also adjusted the size and condition of the durian pulps such that they will remain relatively cohesive for an enjoyable drinking experience and yet will not clog the straws.

- Avocado Milk Shake (牛油果奶昔) makes use of quality avocados sourced from Peru, Chile and Mexico. Even with a long travel distance, we insist on delivering avocados with cold-chain transportation to ensure their quality.

- Pure Jasmine Tea (曲香茉莉) is our take on the classic jasmine tea that leverages our extensive tea leaf knowledge and capability to source premium tea leaves. We work closely with our jasmine tea suppliers and provide stringent requirement for their preparation process.

Pricing Strategy for Our Product Offerings

We focus on the mid-priced freshly-made tea beverage market. During the Track Record Period, our product offerings' prices remained relatively stable, typically between RMB10 and RMB18.

We intend to set prices that reflect our value propositions. Our pricing decisions for specific beverages take into account various pertinent factors. These include the purchasing power of local consumers, prevailing market prices, ingredient and supply costs, market demand and the competitive landscape, among other factors.

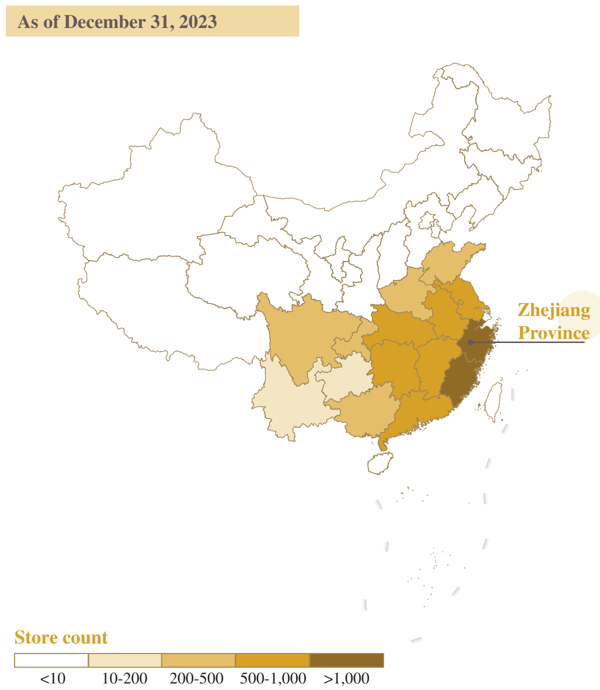
OUR STORE NETWORK

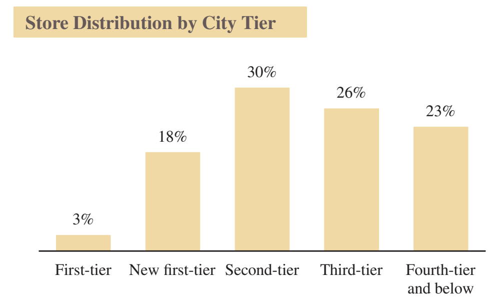
We manage an extensive network of stores with steadily increasing GMV and sustainable profitability. We have established this store network with our regional densification strategy. Our stores offer high-quality products and services to our consumers.

Overview of Our Store Network

We had an extensive store network comprising over 9,000 stores covering approximately 200 cities across all city tiers in China as of December 31, 2023. Our stores are primarily operated under a franchise model. Our franchised stores contributed to approximately 99.9% of our GMV for the years ended December 31, 2021, 2022 and 2023. To a much lesser extent, we directly manage a few company-operated stores. As of December 31, 2023, we directly managed six company-operated stores. For details of our franchisees, see "— Our Franchisees."

The following map illustrates our store network as of December 31, 2023.





The following table sets forth our store count across various city tiers and as a percentage of our total store count as of the dates indicated.

	As of December 31,					
	2021		2022		2023	
	Store count	*%*	*Store count*	*%*	*Store count*	*%*
First-tier cities	93	2	165	3	272	3
New first-tier cities	1,165	20	1,362	20	1,634	18
Second-tier and below cities . . .	4,436	78	5,142	77	7,095	79
– Second-tier cities	1,884	33	2,140	32	2,690	30
– Third-tier cities	1,307	23	1,581	24	2,349	26
– Fourth-tier and below cities . .	1,245	22	1,421	21	2,056	23
Total	**5,694**	**100**	**6,669**	**100**	**9,001**	**100**

As of December 31, 2023, our store count in second-tier and below cities accounted for 79% of our total store count, the highest percentage as compared to those of the other top five mid-priced freshly-made tea store brands in China, according to the CIC Report. In 2023, the GMV generated by "*Good me*" stores in second-tier and below cities reached RMB14.7 billion, which represented approximately 22% market share, making us the largest brand of the mid-priced freshly-made tea store market in these cities, according to the CIC Report.

We have successfully established our leading presence not only in second-tier and below cities, but also in towns and townships, which are administrative areas typically located away from downtown areas, across all city tiers. We believe these areas represent a large untapped market with significant potential. As of December 31, 2023, 38% of our stores were located in towns and townships. According to the CIC Report, the presence of our stores in towns and townships, both in terms of absolute store count and in terms of the percentage within our total store count, is significantly higher than those of the other top five mid-priced freshly-made tea store brands in China, attesting to our strong capability to reach these markets.

We have steadily expanded our store network. The following table sets forth movement in the number of our stores for the period indicated. Reasons for our store closures during this period include (i) store location upgrades, usually when the stores' surrounding commercial zones experience declines in popularity and consumer traffic, (ii) termination of property lease agreements, or (iii) termination of franchisee relationships, among others.

	For the Year Ended December 31,		
	2021	2022	2023
Store count at the beginning of the period	4,091	5,694	6,669
Stores opened during the period	1,808	1,317	2,597
Stores closed during the period	205	342	265
Store count at the end of the period	**5,694**	**6,669**	**9,001**

Our Store Performance

Our per-store GMV was RMB2.2 million in 2021, increased to RMB2.3 million in 2022, and further increased to RMB2.5 million in 2023. In particular, in 2023, our per-store GMV was RMB2.3 million in fourth-tier and below cities and was RMB2.4 million in towns and townships.

In 2023, our franchisees' per-store operating profit reached RMB376 thousand and franchisees' per-store operating profit margin reached 20.2%, whereas the estimated per-store operating profit margin is generally in the low teens in the mid-priced freshly-made tea store market in China during the same period, according to the CIC Report. In particular, in fourth-tier and below cities, our franchisees' per-store operating profit was RMB386 thousand in 2023, over 10 times of the annual disposable income per capita in these areas in 2022, bringing significant income to our franchisees' household.

Store Network Expansion

We adopt a regional densification strategy to build up the density and scale of our store network. Under the guide of this strategy, we go through meticulous planning processes for new store openings.

Our Regional Densification Strategy

We have adopted a unique regional densification strategy for our store expansion, under which we strategically select target provinces for expansion and prioritize resources to focus on building store networks with high geographical density with coverage across all city tiers in such provinces. By building these dense store networks, we are able to rapidly bolster our brand recognition and market share in the target provinces. This strategy also enables us to focus our management team's effort and enhance efficiency through centralized franchisee management. We are able to coordinate our store network expansion with the development of our warehousing and logistics infrastructure, improving our warehousing and logistics efficiency, which in turn supports further expansion of our store network. With our advanced and efficient supply chain capabilities, we are able to successfully penetrate second-tier and below cities, and towns and townships of all tiers of cities, both of which are hard to reach for many other brands. By capitalizing on our accumulated operational expertise and leveraging the natural spread of our brand reputation among consumers and franchisees, we have consistently replicated our regional densification strategy to neighboring provinces.

We have been executing our regional densification strategy since the early days of our business and have built almost all aspects of our operations towards its implementation. To achieve a desired level of density, we have opened stores not only in downtown areas of large cities but also in less developed areas in lower-tier cities. We have tailored our product offerings to cater to consumers of all types, curating a range of diverse product offerings with a balance of classic and innovative items at various price points. Moreover, we have steadily built up our supply chain infrastructure factoring in the location of our expected store openings, ensuring optimal infrastructure distribution to deliver stable supply of fresh, high-quality ingredients at competitive prices. We provide cold-chain supply delivery to over 97% of our stores every two days upon request. Among the top 10 freshly-made tea store brands in China in terms of GMV in the nine months ended September 30, 2023, we are the only brand capable of frequent delivery of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities, according to the CIC Report.

Our Accomplishments Under the Strategy

The first "*Good me*" store was opened in Zhejiang, China in 2010. Since then we have steadily built up our store network through our regional densification strategy. As of December 31, 2023, we had presence in 15 provinces in China. In particular, we have been building provincewide store networks with more than 500 stores, which indicates a critical mass to enjoy the benefits of regional densification. We first reached a critical mass in Zhejiang, where we continued to grow and now operate over 2,000 stores. Our store network in Fujian reached a critical mass in 2019 and store network in Jiangxi reached a critical mass in 2020. Subsequently, our store networks in Guangdong, Hubei, Jiangsu, Hunan and Anhui also achieved a critical mass. As of December 31, 2023, we had established provincewide networks with a critical mass in eight provinces in China, which collectively accounted for 87% of our GMV in 2023. As we continually accumulated experiences in our strategy's execution, our provincewide store networks achieved a critical mass with an accelerating pace. We also continue to densify our store network in provinces where we have reached a critical mass, as we believe there is still significant room for growth.

Riding on our unmatched success in the eight provinces with a critical mass, we have become China's largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges. According to the CIC Report, we captured over 25% of the overall GMV of the mid-priced freshly-made tea store markets in these eight provinces for the nine months ended September 30, 2023. We achieved the highest market share in the freshly-made tea store markets in terms of GMV across all price ranges in each of Zhejiang, Fujian and Jiangxi, and in each prefecture-level area of these three provinces for the nine months ended September 30, 2023.

As we continually densified our store networks in various provinces, and amidst a volatile macroeconomic backdrop, we have been able to maintain positive same-store GMV growth in the past three consecutive years. The following table sets forth our store count and same-store GMV growth in the periods indicated, grouped by the time period that we achieved a critical mass in these provinces.

	For the Year Ended December 31,		
	2021	2022	2023
Zhejiang(1)			
Store count at period end	1,725	1,868	2,054
Same-store GMV growth (%)	15.2	3.3	5.1
Fujian and Jiangxi(1)			
Store count at period end	1,590	1,641	1,914
Same-store GMV growth (%)	7.4	3.2	12.0
Other five provinces with a critical mass(1)			
Store count at period end	1,689	2,349	3,317
Same-store GMV growth (%)	14.9	4.1	11.6
Nationwide			
Store count at period end	5,694	6,669	9,001
Same-store GMV growth (%)	12.0	2.8	9.4

Note:

(1) Zhejiang's store network reached a critical mass the earliest. The store networks in Fujian and Jiangxi reached a critical mass in 2019 and 2020. The store networks in other five provinces reached a critical mass between 2021 and 2023.

Case Study: Our Store Network in Zhejiang

Our store network in Zhejiang is an example of the effectiveness of our regional densification strategy. We began our journey in Zhejiang. It is the first province where we reached a critical mass. We also had the largest number of stores in Zhejiang among the provinces where we had presence as of December 31, 2023.

As of December 31, 2023, there were 2,054 "*Good me*" stores in Zhejiang distributed across all city tiers. The store network included 703 in new first-tier cities, 1,110 in second-tier cities, 98 in third-tier cities and 143 in fourth-tier and below cities. The store network included 644 stores located in towns and townships.

With our dense store network, we enjoy significant brand recognition leading to outstanding store performances. We have been dominating the mid-priced freshly-made tea store market in terms of GMV in Zhejiang since 2018. For the nine months ended September 30, 2023, in terms of GMV, we had over 45% market share in the mid-priced market, as well as over 30% market share in the overall freshly-made tea store market of Zhejiang. We have also secured the highest market share across each prefecture-level area in the province, according to the CIC Report. As we continually increased our store count in Zhejiang, we maintained positive year-over-year same-store GMV growth during each of the three years ended December 31, 2023.

Our dense store distribution in Zhejiang facilitates efficient and cost-effective cold-chain supply delivery. As of December 31, 2023, we had 3 warehouses and 53 freight vehicles with cold-chain capabilities supporting the 2,054 stores in Zhejiang, with 92% of the stores located within 150 kilometers of one of our warehouses.

As our franchised stores have experienced consistent profitability in Zhejiang over the years, many of the franchisees in Zhejiang are keen to open more stores with us and join our business expansions towards nearby provinces. They also frequently refer us to their contacts in adjacent provinces, thus greatly enriching our pool of prospective franchisees.

Our Path Forward

Looking ahead, we believe our expansion strategy positions us well for sustained success. We expect to deepen our footprint in existing provinces while exploring potential opportunities in nearby ones, leveraging our accumulated operational expertise and the natural extension of our brand reputation.

We expect to continue strengthening our presence in the eight provinces where we had reached a critical mass and in other provinces where we had yet to reach a critical mass as of December 31, 2023. We have been experiencing rapid growth in all provinces where we operate. In Guangdong, a province where we had reached a critical mass, our store count increased rapidly from 690 to 975 between December 31, 2022 and 2023, representing a growth rate of 41.3%. We achieved same-store GMV growth of 16.4% in 2023, and became the largest mid-priced freshly-made tea store brand in Guangdong in terms of GMV in 2023 according to the CIC Report. In Guangxi, a more recently entered province, we established the first "*Good me*" store in December 2022 and already became the largest mid-priced freshly made tea store brand there in terms of monthly GMV in July 2023 according to the CIC Report. Furthermore, there were still 19 provinces in China where we had yet to have presence as of December 31, 2023. We choose target provinces each year based on a number of factors including market momentum, competitive landscape and other strategic considerations. Capitalizing on the organic growth and word-of-mouth referrals facilitated by our franchisees and consumers, we will strategically venture into provinces that are adjacent to the provinces that we had presence.

Store Location Selection Process

Every year, within our targeted provinces, we prioritize specific cities for store openings. We evaluate a number of factors including: (i) population density and level of economic development of the area; (ii) capacity of our warehousing and logistics infrastructure within or nearby the area to the extent that such capacity may be leveraged; (iii) the density of our store network both within and adjacent to the area, since our reputation among consumers and franchisees in one place often drives the organic growth of our store network in nearby regions; and (iv) the preferences of our franchisees and prospective franchisees.

When we enter a new city, we typically leverage our supply chain capabilities in nearby cities in the beginning. We also assign dedicated teams to conduct on-site surveys to develop our database before engaging with franchisees. As we build up our presence in that city, we concurrently invest in our supply chain capabilities within that city to support our stores. In addition, they may be leveraged to support our expansion into nearby cities, leading to sustainable growth.

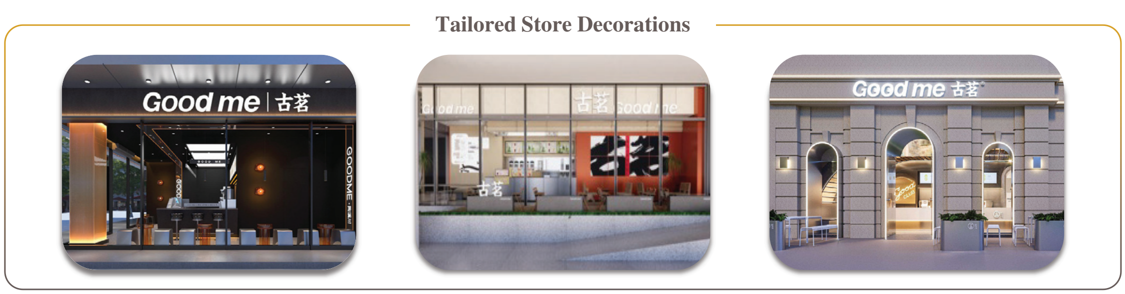
Within the targeted cities, we work closely with our franchisees on site selection, helping them identify sites with the appropriate location and size. We had developed a database of over 18,500 store sites as of September 30, 2023 based on our insights gained from years of local operation experience and third-party information, enabling us to make recommendations to our franchisees based on their expertise and preferences, significantly enhancing site selection efficacy and precision. As of September 30, 2023, the database covered a large number of cities, including their towns and townships, and tracks multifaceted parameters including the potential sites' size, rental cost, nearby pedestrian traffic, features of surrounding environment. We can utilize these parameters to estimate the GMV and profitability of stores to be opened at the potential store sites. After we complete site selection recommendations, we also track the performance of relevant stores at the recommended locations to continually refine our site recommendation capabilities. Due to the density of our stores in targeted cities, we can accumulate significant insight into local circumstances, further enhancing the efficacy of our site recommendations at a local level. The benefits of our regional densification strategy, such as better brand recognition and our scientific planning for store openings, also allow us to mitigate the potential cannibalization effect, and we have managed to achieve positive same-store GMV growth in the past three consecutive years.

Features of Our Stores

Our stores adopt a uniform design style to ensure a consistent consumer experience and bolster our brand image. In addition, some of our stores adopt more tailored store decorations to suit their local surroundings. Our stores' interior design aims to convey a warm and relaxing ambiance. We believe the design of our stores plays a pivotal role in establishing brand recognition and offering a welcoming space for our consumers. To ensure our stores' interior decorations meet our standard, we designate furnishing and decorating service providers for our franchised stores.

As our stores are located throughout all city tiers and may be located in towns and townships, our stores' format varies in size and internal set-up, among others, depending on their locations. Our stores mainly comprise standard stores with a gross floor area of around 30 to 50 square meters and large stores with a gross floor area of around 70 to 80 square meters. Our large stores typically feature spacious layouts, tables and seats for dine-in experiences, and display of branded merchandises, whereas the standard stores do not have tables and seats, and are more limited in space yet maintain the warm ambience that our stores share.

The following image exemplifies our store formats and the various decorations of our stores.



Order Placement at Our Stores

Our stores offer consumers various convenient methods for order placement. Consumers can directly place orders at our store counters, or use our in-house developed mini programs to order pick-ups. We generally encourage our consumers to order through our mini programs, as it is more convenient and efficient for them and facilitates ongoing consumer engagement to retain them as members. Regardless of their order placement channels, our store-level order processing module promptly sends order information to our in-store kitchens for efficient fulfillment. The order processing module is able to track our order fulfillment status. For consumers that placed orders through our mini programs, the module can send notifications once their orders are ready for pick-up. Our store staff follow our specific protocols to provide high quality service when serving our consumers. After we fulfill consumer orders, we also solicit consumer feedback via our mini programs to continually refine our product and service quality.

Many of our stores also offer beverage delivery services in collaboration with third-party delivery platforms. Our consumers can order deliveries using our in-house developed mini programs or through third-party food delivery platforms with which we collaborate. Our delivery service to consumers increases our stores' service radius and expands the potential consumer base.

OUR FRANCHISEES

We operate our store network primarily in collaboration with our franchisees. Leveraging our franchisees' local knowledge, including their insights into local consumer preferences, our franchise model drives efficient and high-quality growth. We aim to foster a mutually beneficial relationship with our franchisees, working closely together to deliver high-quality products and services to our consumers.

Overview of Our Franchisees

As of December 31, 2021, 2022 and 2023, we collaborated with 2,381, 2,949 and 4,614 franchisees, respectively.

During the Track Record Period, the number of our franchisees steadily increased as we expanded our operation. The following table sets forth movement in the number of our franchisees for the periods indicated.

	For the Year Ended December 31,		
	2021	2022	2023
Number of franchisees at the beginning of the period	1,987	2,381	2,949
Number of franchisees enrolled during the period	551	781	2,085
Number of franchisees terminated during the period	157	213	420
Number of franchisees at the end of the period	**2,381**	**2,949**	**4,614**

We seek to foster long-term and robust relationships with our franchisees. Reasons for the termination of our relationship with franchisees include, among others, breaches of franchisee agreements and our franchisees' decisions to pursue different career paths after our agreements expire. After experiencing the benefits of our comprehensive support mechanisms, many of our franchisees are keen on managing additional stores with us. As of September 30, 2023, among the franchisees that had operated "*Good me*" stores for over two years, each on average operated 3.1 stores and 75% operated two or more franchised stores.

Products and Services to Our Franchisees

During the Track Record Period, our franchisees were our primary customers, and we generated substantially all of our revenue from them. We offer our franchisees a range of products and services, including supplying goods and equipment, providing various franchise management services that encompass multifaceted operational support, and conducting comprehensive and regular training.

Sales of products. We provide our franchisees with fresh and high-quality goods primarily including ingredients such as fresh fruits, fruit juices, tea leaves and dairy products, and packaging materials. We also supply equipment including our smart appliances, such as tea brewers, refrigerators, freezers, water purifiers and other electronic appliances. Guided by our commitment to fostering long-term, mutually beneficial relationships with our franchisees and leveraging our robust supply chain, we price our products competitively, helping our franchisees achieve a healthy profit margin. Using Men Dian Bao (門店寶), or the MDB system, our proprietary store operating system, our franchisees can conveniently place supply orders with us. Their order information is transmitted to our internal technology modules for warehousing and transport management, enabling us to efficiently fulfill our franchisee orders. Our swift supply order fulfillment enables our stores to serve beverages with ingredients of short shelf-life. For details of our supply chain and logistics capabilities, see "— Supply Chain Management."

Multifaceted operational support. We provide a variety of operational support to our franchisees, ensuring consistent operation across all stores and enabling them to deliver superior service to consumers. For new stores, we assist in identifying suitable locations and connect them with designated furnishing and decorating service providers to ensure interiors align with our branding and quality standard. We equip our franchisees with centrally sourced automated appliances to standardize service quality and reduce labor cost. For example, we procure, sell to our stores and require them to use automated tea brewers, water purifiers, grape processers and lemon processers, among others. Our central system can remotely monitor our smart appliances' operating parameters, track their operating status and provide automatic alerts when it identifies data anomaly. We provide easy-to-follow standardized operating procedures, such as carefully crafted beverage-making recipes, enabling our stores to efficiently serve quality products to consumers. During regular operations, our dedicated store supervisors routinely visit to assist franchisees in refining their management and operational practices. We work with franchisees to formulate effective marketing strategies both online and offline, and help them deliver personalized marketing campaigns to our members. Furthermore, we offer our suite of integrated proprietary technology systems, such as the MDB system, to streamline their operations, enhance efficiency, and maintain our quality standards.

Comprehensive and regular trainings. We have implemented a comprehensive franchisee training system. As of September 30, 2023, we operated two training centers and designated over 150 stores for on-site training. We had a team of approximately 150 employees dedicated to the training and evaluation of our franchisees. We have curated our proprietary training material. We require our franchisees and their employees to attend mandatory training sessions prior to opening their stores, which cover operations, management, product information, appliance usage, and our technological systems. We also mandate additional training before the launch of new products. Franchisees must complete the prescribed trainings, typically in the form of video tutorials accessible on the MDB system, and pass relevant evaluations before serving our new products to consumers. During the Track Record Period, we had provided offline training to over 21,800 individuals who were either our franchisees or their employees. In the nine months ended September 30, 2023, our online training sessions, such as video tutorial for newly launched beverages, was completed for over 1.6 million times.

Management of Our Franchisees

We provide a series of protocols covering all aspects of our franchised stores' operations to ensure that they deliver high quality products and services. We discuss with our franchisees to formulate these protocols to ensure practicality. Beginning with our franchisee's mandatory pre-opening trainings, we clearly explain our protocols. We maintain active, frequent and transparent communications with our franchisees, and candidly discuss where we see areas for improvement to support their business endeavor.

We formulated a comprehensive suite of protocols for our franchisees, including standardized beverage-making procedures and policies for store management and operation, marketing, and compliance. We require franchisees to purchase all food ingredients, packaging materials and smart appliances from us to ensure consistent quality of our beverages, making us one of the very few companies in the industry that enforce such requirements, according to the CIC Report. We typically require franchisees to stay physically on site during set periods of store operations to ensure optimal store management. Our proprietary policies for operation management set out various specifics such as the required licenses and permits franchisees must obtain before commencing operation, best practices for managers to improve store performance, best practices for staff in terms of recipe execution and consumer service, how inventory should be properly handled, and penalties for non-compliance.

To ensure compliance with our protocols, we require our franchised stores to operate under the view of in-store cameras at all times, and arrange for store-specific supervisors to visit regularly to review the store's management and operation. Our information technology system can automatically generate tailored routes and store specific checklists for store inspections to improve efficiency. We continuously monitor our franchisees' operations, including their stores' quality, service, interior presentation (cleanness, hygiene issues, etc.), consumer feedback and compliance status. As of September 30, 2023, we had a team of over 360 employees dedicated to supervising and inspecting our franchisees' store operation and management.

We also design protocols to incentivize our franchisees to take initiatives and improve store performance. We encourage well-performing franchisees to open new stores. We also have policies to deter non-compliance. We may terminate our relationship with franchisees that are found to be in material violation of our operating standards. Those who consistently fail to rectify operational inadequacies over a prolonged period will also face termination.

We listen to our franchisees and seek to address their feedback promptly. Being aware of the challenges that small business owners face, we have a deep understanding of our franchisees' perspectives and needs. To promote transparent communication, the annual "*Good me*" nationwide franchisee conferences were held in the past 10 years consecutively. According to the CIC Report, we are the first brand to establish a franchisee committee in the market of freshly-made tea stores. Our franchisee committee consists of representatives from various regions, and we encourage our franchisee committee members to regularly provide feedback about our business. Owing to our multifaceted support for and close relationship with our franchisees, our franchisees appreciate our franchisee management capabilities and are willing to have long-term collaborations with us.

Our Franchisee Selection Process

We adopt a rigorous franchisee selection process. We carefully evaluate prospective franchisees in order to identify capable applicants that are also good fits with our organization, as we look to maintain long-term mutually-beneficial relationship with our franchisees. Our ideal candidates are those who demonstrate a commitment to long-term efforts, are amenable to our guidance, and are dedicated to refining their store management skills.

Our new franchisee onboarding process typically involves the following principal steps:

- *Initial inquiry/application.* We have been able to organically attract a large number of talented franchisees applicants. Many of our prospective franchisees became interested in joining us through seeing the performance of our stores first-hand or through word-of-mouth referrals by our existing franchisees. During the Track Record Period, we did not purchase any advertisement for franchisee recruitment. Interested franchisee applicants can find more information related to our franchisee opportunities on our website and mini programs. They can then submit an application to us through our mini programs. In the application, we require candidates to provide basic information, where they would like to open a store, and prior work experiences. We also encourage applicants to get in touch with us to discuss any questions they may have.

- *Preliminary screening, talent pool and interviews.* We have a dedicated team that conducts the first round of screening based on the information submitted by franchisee applicants. We assess a number of factors such as the applicants' past experience and background. Those who pass the preliminary screening are placed into our talent pool, and are usually invited for online or offline interviews shortly thereafter. Through the interviews both the applicants and us get to learn more about each other.

- *Site selection at interested regions.* After the interview, if both parties are interested in further collaborations, we work with the applicants to identify appropriate sites to open their stores. We work closely with them and offer our guidance leveraging our proprietary database of potential site locations.

- *Final review and entry into franchise agreement.* We perform another round of review on our applicant's specific site selection. If the proposals are approved, we invite them to enter into franchise agreement with us and formally become our franchisees.

Our Agreements with Franchisees

Our relationship with franchisees is primarily governed under our franchise agreement, which typically includes the following material terms.

- *Licensing of intellectual properties.* We license our franchisees to use certain intellectual properties for the operation of their stores, including our trademarks, recipes, standard operating procedures, technologies, etc.

- *Training and support.* We agree to provide various training and operational support to our franchisees, including the provision of an operation manual, pre-opening trainings and consultations, and regular trainings throughout the terms of the agreement.

- *Franchise fees*. Our franchisees agree to pay us franchise fees in the form of an upfront fee when they sign the franchise agreement. In practice, we offer flexible payment terms to mitigate uncertainties faced by new franchisees. Our franchisees also pay us continuing support services fees, a portion of which is proportional to the franchisees' stores procurement amounts.

- *Operational standard.* We have the right to determine various facets of our stores' operation, including interior design, product offerings, appliances, technology systems, marketing materials, etc. To ensure stores are operated up to our standards, we have the right to send supervisors to visit our stores at any time during normal business hours and to monitor store operations remotely via camera as well. In addition, our franchisees pay us an upfront deposit, from which we are entitled to deduct any penalties imposed if they violate the terms of our agreement.

- *Sourcing of ingredients, packing materials and smart appliances.* We have the right to determine the choice of suppliers for all of our franchised stores to fulfill their need for ingredients, packaging materials and smart appliances. In practice, we require our franchised stores to procure the aforementioned supplies directly from us. Our franchisees are generally not allowed to return products purchased from us unless there are clear product quality defects. Our return policy is generally in line with industry practice. The value of returned products accounted for less than 1% of the total value of products we sold to our franchisees in 2021, 2022 and the nine months ended September 30, 2023.

- *Operation of delivery platform.* We have the right to operate the online delivery service of our stores and our franchisees bear the cost associated with using the delivery services, such as paying commission fees to third-party delivery platforms.

- *Anti-cannibalization.* Our franchisees are required to operate their franchised stores in the designated premises as specified under the relevant agreement. Meanwhile, we undertake not to open additional stores within a certain proximity to our franchisees' existing stores, with details to be specified in the relevant agreement.

- *Sales target.* We generally do not set any sales target for our franchisees under the franchise agreement.

- *Minimum purchase amount.* We generally do not set any minimum purchase amount for our franchisees under the franchise agreement.

- *Mandate selling prices.* Our franchisees must follow the selling prices set by the Group.

- *Non-competition.* Our franchisees shall not operate any business, on their own or through partnership with others, to sell products identical or similar to ours within the term of the franchise agreement and for a certain period after the termination of the franchise agreement.

- *Term, renewal and termination.* Our franchise agreement typically has an initial term of three years and is renewed with one-year terms. In the last three months before an agreement expires, our franchisees can submit a written request to renew and we can decide whether to renew based on our internal standards and evaluations. If our franchisees do not submit written requests or if we decide not to renew, our franchise agreement will be automatically terminated.

Non-independent Franchisees

During the Track Record Period, certain of our franchisees were our former employees or relatives of our employees. As of December 31, 2021 and 2022 and September 30, 2023, 13, 18 and 27 of our franchisees were our former employees or relatives of our employees, and they collectively operated 48, 57 and 84 franchised stores at the respective time. The GMV generated by these stores accounted for 0.8%, 0.9% and 1.0% of our GMV for the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023. We treat these franchisees in the same way that we treat our other franchisees. We applied the same selection criteria when enrolling the franchisees and the franchise agreements that we entered into with these franchisees contained the same terms and conditions that we offered to independent franchisees. To the best of our knowledge, other than as described above, our franchisees were all independent third parties during the Track Record Period.

SUPPLY CHAIN MANAGEMENT

We developed sophisticated protocols to manage all stages of our supply chain, from supply procurement, to ingredient processing, to warehousing and then to transportation to stores. Our supply chain capabilities, combined with our regional densification strategy, enable us to consistently deliver fresh and quality ingredients to our thousands of stores at competitive prices.

Procurement and Supplier Management

We adopt a centralized approach for supply procurement. Given our significant business scale, we enjoy strong bargaining power at the supply procurement stage, which enables us to procure a large quantity of supplies at below-market prices. We carefully select our suppliers to ensure our supplies' premium quality, including directly procuring certain fresh fruits and tea leaves from their sources to acquire top-notch ingredients.

Our Procurement

We procure a variety of goods and equipment, including ingredients such as fresh fruits, fruit juices, tea leaves, dairy and sugar products, packaging materials, and equipment such as tea brewers, ice machines and freezers.

We procure supplies in significant quantities. We procured over 81,600 tons of fresh fruits spanning across over 30 kinds in 2022, making us the largest purchaser among China's freshly-made tea store brands in the same period, according to the CIC Report. We also procure significant quantities of fruit juices, tea leaves and dairy products. Our large procurement size enables us to purchase supplies at below-market prices, which subsequently lowers the price at which we deliver goods and equipment to our franchisees. For example, the price at which we supplied mangos to our stores was approximately 30% below their prevailing market price for the nine months ended September 30, 2023. We procure from a variety of sources including overseas. For example, we source premium avocados from Peru, Chile and Mexico.

We carefully select our suppliers to procure quality supplies. For certain fresh fruits such as lemons and mangos, tea leaves, and other key ingredients for our beverages, we directly purchase from their producers rather than purchasing through intermediary distributors so that we have more control over their availability, quality and price. Our direct contact with producers also enables us to influence, to some extent, how producers cultivate their products. Leveraging our fundamental research on food sciences, for example, we work with some of our suppliers to determine the right time for them to harvest their products to better suit our needs. For the nine months ended September 30, 2023, we procured approximately 2,450 tons of citrus lemon (香水檸檬) directly from their producers, representing 85.8% of our total procurement of this fruit.

In addition, directly sourcing key ingredients and establishing long-term collaborations with trusted suppliers facilitate consistent quality and stable supply. By effectively forecasting ingredient types and quantities, we can preemptively lock in key terms of our procurement agreement, thereby optimizing costs and ensuring uninterrupted supplies. Our dynamic supply chain management also allows for flexibility; should product requirements change, we can quickly adjust recipes to mitigate inventory wastage.

We do not believe that we face material supplier concentration risks. In general, we worked with multiple suppliers for each type of ingredient. During the Track Record Period, we did not experience any material incidents of supply interruption, early termination of contracts with suppliers, or failure to secure sufficient quantities of supplies.

Selection Process for Suppliers

We have a standardized protocol to identify our procurement needs, select suppliers and enter into procurement agreement.

Our procurement center is responsible for the selection of our suppliers. As of September 30, 2023, our procurement center consisted of approximately 80 dedicated employees. Senior members of our procurement center generally have worked in our product research and development team before, which enables seamless collaboration between supply chain team and product research and development team, thereby ensuring fresh, high-quality and stable supply from the field to the cup.

As early as during the idea generation stage of product development, our procurement center is involved in providing input in terms of the availability and recent market condition of relevant ingredients, and as such what ingredients may be more suitable for new product development.

Once we have a general concept of our new products, our procurement center starts identifying appropriate suppliers, with the help of our quality assurance team which ensures the suppliers meet our product safety and quality requirements. We maintain a list of eligible suppliers based on our internal assessment of their product quality, relevant qualifications, employee expertise, among other factors. Our product research and development team, procurement center and quality assurance team are all involved in these evaluations, and collectively identify the most suitable suppliers. Our procurement center work closely with eligible suppliers to not only examine options proposed by the suppliers but also discuss innovative solutions based on our deep understanding of many ingredients.

After we finalize the choice of suppliers, our supply planning team make projections about our future need of the relevant products and work with relevant suppliers to reserve the required production capacities. We take an analytic approach to forecast our future needs, taking into account historical sales statistics and future demand projections. We enter into procurement agreement based on these forecasts and our business insight, and seek to preemptively lock in our procurement quantity and price to mitigate risks of market fluctuations, particularly for certain seasonal fruits whose prices may vary significantly throughout the year.

Our Major Suppliers

Purchases from our five largest suppliers accounted for 18.1%, 20.9% and 16.3% of our total purchase amount for the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, respectively. Our largest supplier accounted for 7.6%, 7.4% and 5.0% of our total purchase amount for the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, respectively.

The following table sets forth certain information of our five largest suppliers in each relevant time period during the Track Record Period.

Rank	Supplier	Products/Services Provided	Purchase Amount	Percentage of Total Purchase	Business Relationship Since
			(RMB in millions)	*(%)*	
For the Year Ended December 31, 2021					
1	Supplier A/B(1)	Cream	252.8	7.6	2019
2	Supplier C(2)	Syrups and other ingredients	120.8	3.6	2020
3	Supplier D(3)	Milk tea ingredients	92.1	2.8	2018
4	Supplier E(4)	Topping ingredients	69.9	2.1	2019
5	Supplier F(5)	Milk tea ingredients	65.8	2.0	2021
For the Year Ended December 31, 2022					
1	Supplier A/B(1)	Cream	265.1	7.4	2019
2	Supplier F(5)	Milk tea ingredients	181.1	5.0	2021
3	Supplier G(6)	Packaging materials	121.3	3.4	2021
4	Supplier H(7)	Topping ingredients	104.7	2.9	2021
5	Supplier D(3)	Milk tea ingredients	79.5	2.2	2018
For the Nine Months Ended September 30, 2023					
1	Supplier A/B(1)	Cream	175.6	5.0	2019
2	Supplier I(8)	Sugar	104.7	3.1	2022
3	Supplier J(9)	Packaging materials	102.1	3.0	2019
4	Supplier D(3)	Milk tea ingredients	98.6	2.9	2018
5	Supplier H(7)	Topping ingredients	79.9	2.3	2021

Notes:

(1) Supplier A is headquartered in Shanghai and engages in the sale of ingredients. Supplier B is headquartered in Xiamen and provides logistics services. We have signed a tripartite contract with Supplier A and B under which Supplier B act as an agent of Supplier A.

(2) Supplier C is headquartered in Guangzhou and engages in the sale of ingredients and beverages.

(3) Supplier D is a company listed on the Shanghai Stock Exchange and headquartered in Suzhou and engages in the sale of ingredients and beverages.

(4) Supplier E is headquartered in Suzhou and engages in the sale of ingredients and beverages.

(5) Suppler F is headquartered in Shanghai and engages in the sale of ingredients and beverages.

(6) Supplier G is headquartered in Taizhou and engages in the sale of packaging materials.

(7) Supplier H is headquartered in Guilin and engages in the sale of ingredients.

(8) Supplier I is headquartered in Chongzuo and engages in the sale of ingredients.

(9) Supplier J, Zhejiang Mingxing Packaging, is headquartered in Taizhou and engages in the sale of packaging materials. For details of our transactions with Zhejiang Mingxing Packaging, see "Connected Transactions."

To the best of our knowledge, except for Supplier J, our five largest suppliers were all independent third parties. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers, except for Supplier J.

Material Terms of Our Procurement Agreement

Our procurement agreements with suppliers typically include the following material terms.

- *Product specifications and order placement procedures.* We specify what we are buying, how orders are placed and how suppliers will fulfill our orders.

- *Quality requirements.* We provide detailed requirements on the quality of our ingredients. We require the products to satisfy all relevant national and industry standards as well as our internal standard laid out in the agreement. We typically reserve the right to conduct random quality inspections when receiving the products, and require that the remaining shelf-life of products we receive to be at least one half of the standard shelf-life as specified on the packaging. Shipments with quality issues are typically rejected and returned. In some cases, we demand suppliers to compensate us in the amount of twice the book value of all defective products.

- *Transportation and delivery requirements.* We also impose requirements in relation to how goods are packaged and stored during transportation, the timeliness of deliveries, and the amount of permissible shipment size inaccuracies. We may reject and return shipments because they do not meet our transportation and delivery requirements. We may also impose fines if there are significant deviations from our requirement.

- *Settlement.* We settle transactions with most of our suppliers monthly. For some of our suppliers, we settle weekly. Most of our settlement are completed electronically.

Our Ingredient Processing Capabilities

Guided by our food-science-centric research and development, we process fruits with various advanced technologies to ensure their freshness. For example, by promptly processing mangoes at source and strictly controlling their packaging, delivery and ripening processes, we decreased the ripening spoilage rate to 9% in the nine months ended September 30, 2023, far below the industry average of approximately 20%. Our fundamental research also led our attention to the HPP technology. According to the CIC Report, we are a pioneer that introduced it to our industry for ingredient processing. Our stores consumed the largest volume of HPP-processed fruit juices in the freshly-made tea store market in China for the nine months ended September 30, 2023. In addition, as of September 30, 2023, we owned the only Hyperbaric 525i HPP system in mainland China, which is the highest standard HPP equipment among its supplier's product portfolio.

We apply our proprietary recipes and techniques to process ingredients for our franchisees' use. Leveraging our fundamental research of food sciences, we are able to craft tea leaf mixes and blended fruit juices with balanced tastes. We seek to retain the freshness of our ingredients as much as possible and blend the flavor of various ingredients to craft rich and palatable flavor profiles by taking into account a mix of factors including seasonality, ingredients' sources and tastes, cost, and ease of transportation, among others.

We currently operate three processing facilities to process our ingredients. We are constructing another processing facility in Zhuji, Zhejiang to be ready for use in 2024, which will further enhance our ingredient processing capabilities. In addition to supplying our processed ingredients to our franchised stores, we also sell some of the processed ingredients, primarily blended tea leaves, to corporate customers some of whom use the tea leaf mixes to prepare their own freshly-made tea beverages.

Our Warehousing and Logistics Management

We possess strong warehousing and logistics capabilities that support efficient delivery to our stores.

Warehousing and Logistics Infrastructure

As of September 30, 2023, we operated 21 warehouses for our business operation. These warehouses have an aggregate floor area of over 200,000 square meters, including cold storage spaces of over 40,000 cubic meter supporting various temperature ranges. As of September 30, 2023, over 75% of our stores are located within 150 kilometers of one of our warehouses. According to the CIC Report, we operate the largest cold-chain warehousing and logistics infrastructure among China's freshly-made tea store brands as of September 30, 2023. In the nine months ended September 30, 2023, we completed cold-chain delivery of approximately RMB3 billion worth of ingredients, the highest in China's freshly-made tea store industry according to the CIC Report. We are also constructing an additional warehouse in Taizhou, Zhejiang, which is expected to have an aggregate floor area of over 39,000 square meters.

The below graph illustrates the distribution of our warehouses as of September 30, 2023.

According to the CIC Report, while many of our peers in the industry use third-party storage facilities, we are able to construct our own warehouse network to better suit our business need. For example, our warehouses support cold storage in different temperature intervals, including one from negative 20°C to negative 15°C, one from 1°C to 5°C, one from 8°C to 13°C and one from 10°C to 15°C. These more specific cold storage areas ensure the optimal freshness for many of our fruits, and we believe it is hard to find third parties capable of providing comparable storage services at similar costs to suit our business needs. In addition, as we operate the warehouses ourselves, the warehouses are more agile at reacting to our business needs. Furthermore, having greater regional store density makes investing in warehouses and logistics more cost-efficient.

We also possess strong logistics capabilities to transport products between our warehouses and from our warehouses to our stores. As of September 30, 2023, we directly owned and operated 327 vehicles to make deliveries between our warehouses and from our warehouses to our stores. Our vehicles are equipped with specialized equipment that can accomplish precise control over the temperature of our delivered products, thereby enabling effective and quality cold-chain delivery from our warehouses to our stores. We also use third-party vehicles to fulfill our delivery needs. We believe our cold-chain logistics capabilities sets us apart from many others in the industry, as we directly own and operate many of the vehicles used for cold-chain delivery and are able to ensure that our products are well-stored in cold environments throughout the delivery trips.

Delivery Service to Our Stores

Our strong warehousing and logistics capabilities enable us to fulfill the delivery needs of our stores across all city tiers efficiently. Not only can we reach stores in second-tier and below cities, we can efficiently reach stores that are located outside of the downtown of various cities and are dispersed throughout the peripheral towns and townships. We believe this inventory fulfillment capability would not be possible if we did not preemptively follow a regional densification strategy and focused on increasing the density of our stores.

Thanks to our cold-chain warehousing and logistics infrastructure, we can ship diversified and fresh ingredients to our stores, including those with a short shelf-life such as strawberries and waxberries. According to the CIC Report, we operate the largest cold-chain warehousing and logistics infrastructure among China's freshly-made tea store brands as of September 30, 2023, enabling cold-chain supply delivery to over 97% of our stores every two days upon request. In comparison, China's freshly-made tea store brands generally provide delivery to stores every four days and often without the support of cold-chain supply delivery. Among the top 10 freshly-made tea store brands in China in terms of GMV in the nine months ended September 30, 2023, we are the only brand capable of frequent delivery of short-shelf-life fresh fruits and fresh milk to stores in lower-tier cities. As a result, our stores, including those in lower-tier markets, can still serve consistently fresh, tasty and value-for-money beverages to consumers.

With our regional densification strategy, combined with our extensive warehousing and logistics infrastructure, we supply our franchised stores at relatively low cost. During the Track Record Period, the logistics cost for delivery from our warehouses to stores was approximately 0.9% of our total GMV on average, whereas the industry average was around 2% according to the CIC Report.

Our franchisees can easily place orders for ingredient and other supply deliveries using the MDB system. The orders are automatically transmitted to our warehouse management module, which generates real-time work requests such as packing orders to our warehouse workers. The warehouse management module also transmits the relevant information to our transportation management module, which arranges for appropriate drivers, vehicles and delivery routes based on a number of parameters including cost, time-effectiveness, and responsible parties. The module harnesses advanced algorithms to optimize delivery route, thereby reducing delivery costs. It then returns the arrangements to the warehouse management system to be passed to the relevant warehouse workers so that they can coordinate with delivery drivers.

PRODUCT DEVELOPMENT

Our product development framework is firmly rooted in continuous research, analysis, and accumulation of fundamental food science knowledge. As of September 30, 2023, we had a team of over 110 employees dedicated to product research and development, of which over 40 employees specialized in the research of tea leaves and extraction. Within the team, approximately half possess a master's or more advanced degree.

Our Product Development Philosophy

We take a systematic approach to product development and focus on cultivating our fundamental capabilities. We are the pioneer in the industry that engaged in fundamental research of food sciences, according to the CIC Report. This fundamental knowledge, such as in-depth understanding of tea base preparations, forms the basis of our product development efforts. As part of our research on food sciences, we engage in joint research on quantitative methods of agriculture product quality control with Zhejiang University, Jiangnan University and the Tea Research Institute at Chinese Academy of Agricultural Sciences.

During product development, our front-end product developers, or "connoisseurs," collaborate closely with our ingredient "engineers" to continually introduce fresh flavors of various ingredients to our products and ensure consistent results. Our "connoisseurs" continuously monitor the latest market trends and consumer preferences, looking for product inspirations from a variety of sources. At the same time, our "engineers" quantify the flavors of different ingredients in terms of, for instance, aroma, acidity and sweetness, and provide such analytics to our "connoisseurs." The collaboration between our "connoisseurs" and "engineers" enables us to consistently introduce quality offerings on a regular basis, and do not rely on the occasional, one-off successes of individual products as a result of random innovative ideas. In addition, our "engineers" enable us to have a dynamic supply chain management framework that allows for flexibility. They help us quickly fine-tune our recipes and adjust product mix to alleviate the impact of any supply chain disruptions.

Our Product Development Capabilities

We have accumulated flavor profiles of over 1,000 ingredients of different varieties and/or from different suppliers, factoring in details such as each ingredient's place of origin, availability throughout the year, taste features, close substitutes and complementary ingredients. With a wide selection of ingredients, we can mix and match to create new recipes that cater to the latest trends efficiently. We can also develop beverages that meet specific consumers' preferences on taste in certain regions. For example, we perceived that consumers in different regions favor distinct tastes of tea bases, and launched multiple tea bases for our lemon teas. In addition, to support our need to manage across thousands of stores distributed across various regions, and taking into account the regional and seasonal nature of many of our ingredients, we tailor our recipes of the same drink for specific regions and for certain time periods of the year, based on the availability of ingredients and our supply chain coverage, to ensure that our beverages are always made with fresh and high-quality ingredients and to achieve taste consistency.

We regularly launch new beverages to keep our offerings fresh and to capture emerging opportunities presented by evolving industry trends. Our store menus typically contain around 30 beverages at a time. Meanwhile, in 2021, 2022 and the nine months ended September 30, 2023, we launched 94, 82 and 107 beverages, respectively. Our newly launched beverages are generally well-received by consumers. In 2021, 2022 and 2023, our top 10 best-selling beverages included two to three completely new beverages we launched in the same or prior year, and these beverages continue to be popular over time, demonstrating our ability to continually develop and launch popular products and to keep up with evolving market trends.

Our Product Development Process

The principal steps of our product development process are set out below.

Step 1: Idea generation and screening. Our "connoisseurs" continuously look for product inspirations from a variety of sources, including (i) original ideas from our product research and development team, including innovations based on their experience working with our ingredients, (ii) market research to identify latest market trends, including evolving consumer preferences in terms of taste and price, any region-specific preferences and the popularity of different types of freshly-made beverages, through analyzing online media and conducting on-the-ground surveys, (iii) review of our existing products feedback from consumers, and (iv) proposals and market analysis from our existing suppliers who are familiar with the latest availability of ingredients and changes in processing techniques.

Step 2: Identification of appropriate suppliers and ingredients. We source quality ingredients for our products. To this end, we carefully consider our suppliers and the specific types of ingredients that they supply whenever we develop new products. We endeavor to identify appropriate suppliers and ingredients such that all ingredients can be timely delivered through our supply chain infrastructure to our stores and retain excellent quality. In addition, we go beyond merely choosing from a number of fixed options provided by our suppliers, and work closely with them to consider potential upstream improvements such as how the ingredients are to be harvested and processed.

Step 3: Recipe development. Based on the specific ingredients that we have selected, our "connoisseurs" and "engineers" work closely together to experiment with their pairings, respective ratios, blending techniques, among others, to identify the best possible recipe that meet our exacting standards. To ensure taste consistency, we preemptively adjust our recipes, based on our understanding of the ingredients and our knowledge of potential factors that may influence our beverages' taste, including the ingredients' air exposure time and external temperature during transportation and storage, to lower the likelihood of taste variations after prepared on-site. We believe one of our differentiating strengths is the ability to deliver high quality, fresh ingredients to our stores. In recipe development, we take into account this strength and seek to highlight our ingredients' fresh flavors.

Step 4: Internal sample testing and in-store testing. Our sample products go through rigorous internal testing followed by in-store testing. During internal testing, our sample products are reviewed directly by our founder, Mr. Wang, and senior members of the product research and development team. Following the internal testing, our sample products are also tested at selected stores to evaluate how well the recipe can be executed at our stores during normal business operations and to solicit feedback from our franchisees and consumers.

Step 5: Pre-launch preparation. After plans to launch new products are finalized, we begin various pre-launch preparations. We coordinate with our supply chain management team to procure relevant ingredients, design a holistic promotion plan which may cover a product's positioning, packaging design and marketing channels, and prepare training materials for our franchisees to learn the recipe and standardized preparation procedures. All our franchisees are required to complete the relevant online trainings and pass an evaluation before new products can be launched at their stores.

Step 6. Post-launch feedback collection. After our new products are launched, we continually track their performance and collect consumer feedback, in order to evaluate and refine our product development process and improve our fundamental capabilities.

OUR TECHNOLOGIES

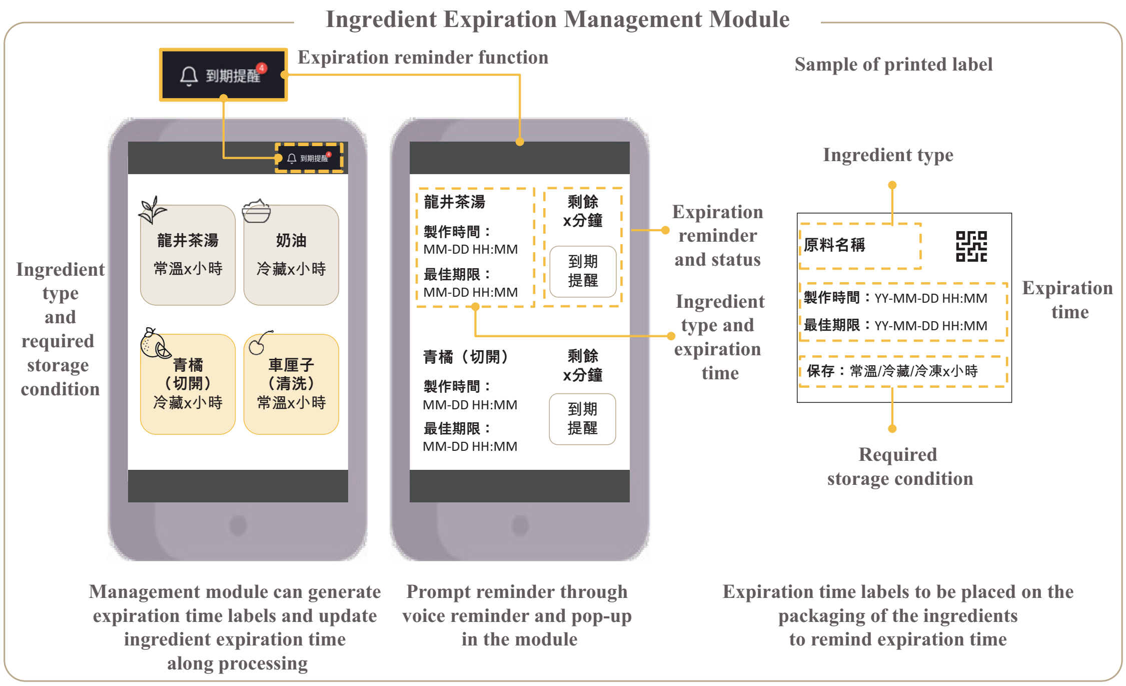
We place great importance on harnessing the power of technology to improve our operating efficiency, enhance our management of franchisees and drive our long-term growth. We have been actively building our information technology team since 2018. As of September 30, 2023, this team has grown to include over 300 engineers, being the largest team in China's freshly-made tea beverage industry according to the CIC Report.

We have consistently invested in the digitalization of our business, and have developed a suite of proprietary IT modules that are tailored to our specific business needs. These modules improve the efficiency of information transmission among various internal departments, between us and our suppliers, and between us and our franchisees. In addition, the modules digitalize various aspects of our stores' operation, such as consumer order placement, beverage preparation, franchisee training and supervision, inventory management and fulfillment request placements. We have developed our proprietary IT modules with the goal of having them form a fully integrated, closed-loop IT system that covers all aspects of our business operation, which would significantly increase our operating efficiency. We believe our digitalized systems have laid a solid foundation for us to effectively manage our business as we continue to scale up our operations. The benefits of our digitalization effort are expected to become increasingly pronounced as we continue our business growth.

Our Store-level Technologies

We have implemented a "smart store" system across our stores, which includes the digitalization, standardization and automation of operating procedures to improve our stores' operating efficiency and enhance product and service quality.

We provide our stores with various modules to efficiently process transactions, digitalize orders, track sales and manage inventory in real time. Our modules ensure accurate and up-to-date reporting of operating metrics, enabling us to engage in real-time information analysis and guidance provision to our network of thousands of stores, covering aspects including sales and marketing, inventory fulfillment, shift scheduling, among others. Our ingredient expiration management module can track and update our ingredient's expiration time after each step of ingredient processing such as washing, cutting and boiling, as illustrated in the graphs below.



We have also developed smart appliances that can improve the operating efficiency of our stores and maintain the quality of our beverages. All our smart appliances can be connected to the Internet of Things, or IoT, and managed digitally and centrally. As of September 30, 2023, we had deployed five proprietary smart appliances, providing automation and tracking of store equipment operations. For example, based on our in-depth knowledge of the tea brewing process and solid fundamental research, we have developed a proprietary tea brewer that can automatically adjust parameters like brewing time based on our centralized inputs through IoT. We tailor these parameters taking into accounts factors such as water acidity and tea leaf varieties, delivering a consistent, optimal tea flavor across our stores. Besides receiving our centralized inputs through IoT, the smart appliances also enable real-time upload of operating information. In this way, we can remotely monitor the smart appliances' operating status and receive automatic alerts when there is parameter anomaly.

Our Franchisee-facing Technologies

We adopt various modules to manage our franchisees efficiently. Our online system for franchisee management and supervision covers a range of functions including recruitment, site selection, comprehensive training, and store visits and inspections. We have built a database of over 18,500 store sites as of September 30, 2023, which enables us to make intelligent store site recommendations to our franchisees that match the expertise and preferences of our franchisees. We manage information about our franchisees in our proprietary customer relationship management module, which maintains their details as well as information about their franchise agreements. The customer relationship module feeds into our MDB system, our main module for franchisee interactions, which integrates a suite of functions to help facilitate communication between us and our franchisees. Through the MDB system, our franchisees can place orders for ingredients, complete trainings before new product launches and submit feedbacks to and seek assistance from us. We generate daily tasks to be performed by franchisees through the MDB system so that we can enforce our store operation standards and regularly share knowledge with them related to store management and operation, recipe execution, and other matters. Our modules can also automatically generate tailored inspection routes and store-specific checklists for our store supervisors, ensuring thorough risk identification and timely rectification.

Our Consumer-related Technologies

Our in-house developed mini programs provide consumers with convenient ways of order placement. We encourage our consumers to place orders through our mini programs to avoid the trouble of waiting in lines, which also helps us accumulate consumer base and retain consumer traffic. We apply smart analytics to engage our consumers by tracking their past orders and analyze their consumption pattern. As we learn our consumers' preferences, such as their preferred beverage types, we are able to recommend products to them with precision and personalize our promotion content, including distributing customized marketing campaigns and adopting tailor-made approaches to increase consumer engagement on our mini programs. In addition, we also developed modules that connect with the system of third-party food delivery platforms so that we can efficiently track the performance of our stores in terms of their food delivery orders.

Our Supply Chain Technologies

To efficiently deliver goods and equipment to our franchisees, we have digitalized numerous aspects of our supply chain to improve operating efficiency. We adopt a supplier relationship management module to send procurement orders to our suppliers, and utilize our quality management module to automatically decide whether quality inspections are needed based on the type of incoming products. Accepted products are entered into our warehouses and recorded within our warehouse management module. We manage our warehouses and logistics with our warehouse and transportation management modules. The transportation management module uses intelligent algorithms to generate optimized delivery routes based on preset parameters including budget, impact on delivery drivers and franchisees, and real-time constraints such as available vehicles and time limitations. The algorithm significantly reduces our logistics cost and increases our fulfillment efficiency and capability. In addition, we have realized full-process monitoring of key metrics, such as route, temperature and speed, during trips from our suppliers to our warehouses and from our warehouses to stores.

QUALITY CONTROL AND SAFETY PROTOCOLS

We understand that ensuring the highest standards of product safety is of paramount importance to our consumers. We have therefore implemented a stringent quality control system, backed by a team of over 100 professionals as of September 30, 2023, to maintain quality at every step of our business operation.

Our commitment to quality begins with the selection of our suppliers. We employ a rigorous process that includes thorough background checks and continuous evaluation. We understand that a significant risk to food safety originates from its source. Therefore, we require our suppliers to provide randomly selected samples for quality testing before large batch shipments. We conduct regular on-site visits to our suppliers, which allows us to monitor their processes and adherence to quality standards closely. In the event of any quality issues, we take swift action, including returning shipments that do not meet our stringent quality criteria.

We have also set out a number of detailed internal policies relating to various critical aspects of our logistics process. These policies include the guidelines for verifying and receiving shipments, the standards for dealing with defective ingredients, the standards for managing materials, the protocols for ensuring the quality of fresh fruits during storage in warehouses, among many others. We conduct sample tests for the products that our warehouses receive to confirm that their quality meets our safety standards.

At the store-operation level, although we do not directly operate our franchised stores, we clearly communicate our expectations with respect to product safety to our franchisees and conduct routine inspections at various levels. Beyond site visits, we ask our franchisees to always conduct their business operations under camera within business hours. We have developed a digital system that tracks certain features of our store operations, including sales volume, changes in inventory and the shelf-life of ingredients. The system can automatically alert us when it detects anomalies, which may indicate expired products have been used or other practices not in compliance with our policies. Upon receiving the alerts, we can investigate by reviewing camera footage of the store or take further actions.

Our stores deliver some of our products to consumers with the help of third-party delivery platforms. While we do not exercise direct control over this last step of the process, we carefully select the third-party delivery platforms that we work with and closely monitor any consumer complaints relating to food quality issues. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material penalties as a result of food safety incidents.

MARKETING AND PROMOTION

Our marketing strategy centers around building a brand image associated with fresh, tasty and value-for-money beverages of consistently high quality. Following our regional densification strategy, we typically consolidate resources to build up our brand awareness region-by-region. We enjoy strong brand recognition in the regions where we already have a significant presence, and can continually attract new consumers through organic word-of-mouth referrals and targeted marketing activities when we enter adjacent regions.

We engage in targeted marketing activities through both online and offline channels. As we typically build up a dense network of stores in select regions, the marketing of the "*Good me*" brand and our products has proven effective at attracting consumers and building our brand image. We promote our brand and products using various mainstream online platforms, including in collaboration with key opinion leaders, or KOLs. For example, in the "First Cup of Milk Tea in Autumn" campaign on August 8, 2023, integrating both online and offline marketing efforts, we achieved a daily GMV of over RMB130 million. During the "May 20" marketing campaign in 2023, we also recorded a daily GMV of over RMB100 million from our livestreaming event on a short-video platform, ranking us No.1 on its weekly trending list for product-selling channels. Moreover, we have been crafting and launching creative and diverse marketing campaigns that resonate well with our consumers. In October 2023, our collaboration with "*Heaven Official's Blessing* (天官賜福)," a popular fantasy anime showcasing Chinese culture, was an instant hit among consumers. The beverages under this collaboration achieved sales of approximately 6.7 million cups within three days after launch. On launch day, "*Good me*" achieved the highest ranking for Douyin keyword search index (抖音關鍵詞搜索指數) and Weixin index (微信指數) among the freshly-made tea store brands in China, and was ranked among the top five in Weibo's Hot Search list. In December 2023, we launched a collaboration with "*Mysterious Lotus Casebook* (蓮花樓)," a popular Chinese TV series. "*Good me*" reached No. 1 on Weibo's Hot Search list after the launch. The following graph illustrates our marketing activities.

Online and Offline Marketing

Livestreaming event on Douyin

"First Cup of Milk Tea in Autumn" campaign

Branded merchandise

Theme store for collaboration with "Heaven Official's Blessing (天官賜福)"

Our Membership Program

We have launched our membership program through our mini programs and Weixin official account and accumulated a large and loyal member base. We encourage our consumers to use our mini programs when they visit our stores to place orders and have accumulated a significant membership base through our mini programs.

We have designed various programs to engage our members and create a sense of community. For example, we have implemented a tiered membership system where members can accumulate membership points based on their cumulative expenditures and join higher membership tiers that give them extra rewards if their membership points pass certain thresholds. We also encourage our members to join certain member-only social media groups, and seek to foster close-knit environments that enhance our members' loyalty. We host monthly "Members' Day" when our members can receive additional benefits and accumulate more membership points for their orders. We had accumulated approximately 94 million registered members on our mini programs as of December 31, 2023 with over 36 million quarterly active members in the three months ended December 31, 2023.

As we learn about our members' preferences, we are able to recommend products to them with precision and personalize our promotion content, including distributing customized marketing campaigns and adopting tailor-made approaches to increase consumer engagement on our mini programs. In 2023, our average quarterly repurchase rate reached 53%, which far exceeds the average of below 30% among mid-priced freshly-made tea store brands in China, according to the CIC Report.

Consumer Feedback

We place great importance on our consumers' feedback and actively collect consumer opinions to improve our product offerings and our service qualities. We collect consumer feedback through different channels, including in-store surveys and online review solicitations, and evaluate the responses to continually optimize our business operations. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material consumer complaints or other claims which may cause a material and adverse effect on our business and results of operations.

OUR CUSTOMERS

Our customers are primarily our franchisees who operate our franchised stores and also include corporate customers that purchase the products from our processing facilities such as blended tea leaves. During the Track Record Period, our revenue consisted primarily of proceeds from the sales of goods and equipment to our franchisees, and fees associated with the franchise management services we provided to our franchisees. For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, our five largest customers accounted for 3.2%, 3.1% and 3.2% of our total revenue, respectively. During the Track Record Period, we were not subject to any material customer concentration risk.

DATA PRIVACY AND SECURITY

We are committed to the protection of data privacy and data security and have implemented a comprehensive set of internal policies on network security, data security, data backup and recovery, data protection, security emergency plan, and information security incident management.

In order to effectively provide our services, we may collect and use basic user data. This information includes, from consumers who place delivery orders, their user code, delivery address and phone number. We only collect the personal information and data necessary for the use of our operation. We desensitize data with encryption, masking, or replacement techniques.

We collect and use personal data for the stated purpose as authorized by users, or with other legal bases as provided by laws and regulations. We have also in place internal policies to provide our employees with the guidelines for data sharing, transmission, and processing. Furthermore, we implement an access control mechanism. Our franchisees only have access to the personal data of their respective consumers to process relevant orders. We do not share with, transfer, or disclose personal data to any third parties except under certain limited circumstances, including when it is expressly authorized by users, necessary to fulfill our main services to users, or in compliance with the applicable laws and regulations. We adopt encrypted storage and backup measures to store and protect consumers' personal data. In addition, we comprehensively classify the data in our systems by the level of confidentiality. As of the Latest Practicable Date, all consumers' personal data collected during our daily business operations within the PRC had been stored within the PRC.

During the Track Record Period and up to the Latest Practicable Date, we had not received any third-party claim against us on the ground of infringement of the party's right to data protection as provided by any applicable laws and regulations. In addition, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations regarding personal information privacy and data security in all material aspects.

SEASONALITY

We have been subject to certain levels of seasonal fluctuations with respect to consumer orders. We typically see more consumer traffic and generate higher sales during the summer when the weather is warmer. We typically also experience higher sales during holiday seasons. In addition, the cost of ingredients of our tea beverages, such as fresh fruits, fruit juices and tea leaves, also fluctuates throughout the year, although we preemptively limit the extent of the fluctuations by locking in purchase prices of some of our ingredients in our procurement agreement with suppliers, sometimes as far as one year in advance.

EMPLOYEES

We had a total of 2,373 employees as of September 30, 2023. Substantially all of our employees were located in mainland China.

The following table sets forth the numbers of our employees categorized by function as of September 30, 2023.

Function	Number of Employees
Store management, franchisee development and training	979
Supply chain operation and management	669
Information technology	302
General and administrative	178
Branding and marketing	134
Product research and development	111
Total	**2,373**

We recruit our employees primarily from the open market through recruitment advertisements, agencies, online platforms and referrals. We attract and retain suitable personnel by offering competitive wages and benefits. We provide our frontline store staff with training in various skills, including with respect to food safety and work safety.

We enter into standard labor contracts with our employees. We also enter into non-compete and confidentiality agreements with senior management and key personnel.

We believe that we maintain a good working relationship with our employees, and we have not experienced any major labor disputes.

During the Track Record Period, we had not made social insurance and housing provident funds for some of our employees in full in accordance with the relevant PRC laws and regulations. We were unable to make full social insurance and housing provident funds for the relevant employees primarily because many of our employees were not willing to bear the costs associated with social insurance and housing provident funds. In addition, during the Track Record Period, we engaged third-party service providers to pay social insurance and housing provident funds for some of our employees primarily due to the preference of these employees to participate in local social insurance and housing provident fund schemes in their place of residency.

As of the Latest Practicable Date, we have obtained written confirmations of all our major subsidiaries and several other PRC subsidiaries from local social insurance and housing provident fund authorities, each stating that the relevant subsidiary is not subject to any significant administrative penalty. As confirmed by our PRC Legal Advisor, the relevant confirmations were issued by the competent authorities. In addition, as of 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, 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 fund. In view of the above, our PRC Legal Advisor is of the view that (i) the risk of us being required by relevant PRC authorities to pay the shortfall of social insurance and housing provident fund contributions is remote and (ii) the risk of us being penalized for failing to make social insurance and housing provident funds in full is remote. As a result, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date. For risks associated with our underpayment of social insurance and housing provident funds and our use of third-party service providers to pay social insurance and housing provident funds, see "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities, which may materially and adversely affect our business and results of operations."

We have reviewed and implemented enhanced internal control measures. We have assigned designated personnel to monitor the status of payments of social insurance and housing provident funds on a regular basis in order to ensure that we have made these payments for our employees on time in a manner as required by the relevant PRC authorities. We believe the foregoing measures are sufficient and can substantially mitigate any risk we face relating to future underpayment of social insurance and housing provident funds and/or engagement of third-party service providers to pay social insurance and housing provident funds.

PROPERTIES AND FACILITIES

Our principal place of business is located in Zhejiang, China. As of the Latest Practicable Date, we leased 52 properties in various cities in China, with an gross floor area of over 297,000 square meters. Our leased properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as storage or office spaces for our business operations. We believe that there is sufficient supply of properties in China, and thus we do not rely on any single existing lease for our business operations.

As of the Latest Practicable Date, landlords of 15 of our 52 leased properties in mainland China, which are used as storage, ingredient processing, or office spaces, have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Consequently, if any of these leases is terminated as a result of challenges by third parties, we may not be able to continue to use the properties. However, considering these properties' uses, we believe there is a sufficient supply of similar properties and do not expect any material adverse effect on our business due to these potential terminations. In addition, as of the Latest Practicable Date, we had not completed lease registration or lease registration modification for some of the properties we leased in mainland China, primarily due to the difficulty of procuring the relevant landlords' cooperation to register their leases. Our PRC Legal Advisor has advised us that the lack of registration for the lease contracts will not affect the validity of the lease contracts under PRC law, and has also advised us that the relevant PRC authorities may request us to complete the registration and if we still fail to do so, we may be imposed a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. For a detailed discussion of risks relating to property interest defects, see "Risk Factors — Risks Relating to Doing Business in the Country Where We Operate — We encounter risks related to leased properties, which could negatively impact our business operations and financial outcomes."

We had obtained the land use certificates for four parcels of land with a total site area of over 113,000 square meters. There are one processing facility, one warehouses and one office building currently under construction on the land parcels.

We are constructing a processing facility in Zhuji, Zhejiang. The processing facility consists of two sections that are being built on two separate land parcels. For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, we incurred capital expenditures related to the construction of the processing facility of nil, RMB54.0 million and RMB116.0 million, respectively. We expect that the construction will be completed in 2024.

We are also constructing a warehouse and an office building on two land parcels in Taizhou, Zhejiang. For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, we incurred capital expenditures related to the warehouse's construction of nil, RMB45.9 million and RMB64.1 million, respectively. For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, we incurred capital expenditures related to the office building's construction of nil, RMB25.1 million and RMB44.1 million, respectively. We expect that both constructions will be completed in 2024.

As of September 30, 2023, each of our property interests had a carrying amount less than 15% of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our interests in land or buildings.

INTELLECTUAL PROPERTY

Our intellectual property includes trademarks, trademark applications, patents, and patent applications related to our brands and services, software copyrights, trade secrets and other intellectual property rights and licenses. We seek to protect our intellectual property assets and brands through a combination of trademark, patent, copyright and trade secret protection laws in the PRC and other jurisdictions, as well as through confidentiality agreements and other measures.

As of the Latest Practicable Date, we held 7 registered trademarks, 11 patents and 7 registered domain names in China, which are material to our business.

For more information about the risks we face relating to our intellectual property, see "Risk Factors — Risks Relating to our Business and Industry — We may not be able to adequately protect our intellectual property, which could harm our brand value and adversely affect our business and results of operation." During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material intellectual property claims which could have a material adverse effect on our business or operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our Governance

Since our founding, we have adopted as our long-term strategic goal to promote environmental sustainability, support and participate in socially responsible projects, and adhere to a high standard of corporate governance. To effectively manage environmental, social, governance and climate-related (collectively, "**ESG**") issues, upon our [**REDACTED**], we will establish a two-tier ESG governance framework, comprising of our Board and an ESG committee.

Our Board will take the overall responsibility for our ESG strategy and reporting. Our Board will be directly involved in setting up our overall ESG governance management policies, strategies, priorities and targets, reviewing our ESG policies on an annual basis to ensure its effectiveness, and fostering a culture of acting in accordance with our core ESG values.

Our ESG committee, consisting of our senior management and staff with a solid understanding of current and emerging ESG issues and our business, will directly report to the Board on ESG issues. Set forth below are the key responsibilities of our ESG committee:

- ensure that we abide by the latest ESG laws and regulations, including the applicable sections of the Listing Rules, and keep the Board informed of any changes in the laws and regulations and update our ESG policies accordingly;

- assess ESG risks on a regular basis according to applicable laws, regulations and policies, and formulate strategic plans and mitigating measures to ensure our responsibilities with respect to ESG matters are met;

- monitor local environmental, social, and climate changes in regions where we operate and take timely measures to mitigate the risks associated with volatile changes during our daily business operations;

- monitor the implementation of our ESG policies and engage third-party consultants to support us in fulfilling our ESG goals if the ESG committee considers it necessary;

- identify our key stakeholders based on our business operations and understand the stakeholders' influences and dependence with respect to ESG matters;

- hold meetings on a regular basis to identify, assess, and manage our progress in achieving our key ESG targets; and

- prepare annual ESG report, report to our Board on our ESG performance and the effectiveness of our ESG policy, and provide our Board recommendations relating to ESG matters.

Identification, Assessment, Management and Mitigation of ESG Risks

We have identified the following ESG risks which we consider material and may have an impact on our business, strategy or financial performance, and have formulated strategies and implemented systems to manage and mitigate these risks.

Product Safety

Our product safety guidelines and policies, standards and procedures, inspections and checks, and training on property product safety practices, among others, may not be adequate, which may increase the chance of tea beverage contamination and associated illnesses. As a result, we may be subject to risks of receiving administrative or criminal penalties and our reputation may be adversely impacted.

We have developed a stringent quality control system to mitigate risks relating to product safety and quality at every step of our operations, from procurement and storage of ingredients, to distribution to stores, to store-level processing, to delivery to consumers. For details, see "— Quality Control and Safety Protocols."

Supply Chain Management

Responsible sourcing and sound supply chain management are essential for us to ensure reliable tea beverage quality and sustainability along our supply chain. If we are unable to select quality third-party suppliers or monitor, audit and manage different parties in the supply chain, we may be exposed to risks of suppliers' non-compliance with applicable laws and regulations and unethical practices, which could diminish our competitiveness and harm our reputation.

We have established a rigorous supplier vetting and approval process, as well as detailed protocols for ongoing monitoring and review of our suppliers, to mitigate risks relating to our supply chain and build a more environmentally friendly supply chain. For details, see "— Supply Chain Management — Procurement and Supplier Management" and "— Quality Control and Safety Protocols."

Climate Change Adaptation

Floods, typhoons, storms, and other extreme weather conditions and natural disasters may cause price volatility of raw materials, fluctuation in supply and physical damage to our warehouses, stores and offices, pose safety risks to our staff and lead to delayed product delivery to our franchised stores, among other consequences. Besides, against the backdrop of the PRC's carbon peak and neutrality goals, we may incur additional costs to reduce our carbon footprint.

We are committed to conserving energy and reducing our carbon footprint. Through improving operating efficiency, we will reduce the use of energy and other natural resources in order to enhance our environmental performance and reduce the negative impact of our operations in relation to climate change. We continuously look for effective ways to reduce energy use and thus our carbon footprint. Our smart appliances, such as our proprietary tea brewer, allow for significant electricity savings. Before we introduced the tea brewers, our stores had to maintain the temperature of boiled water with induction cookers. Our proprietary tea brewers are more effective at heat insulation, and thus require less electricity to maintain the temperature of boiled water. We estimate that our tea brewers are able to save over 10 million kWh of electricity every year. In addition, our warehouses and office buildings are equipped with intelligent electricity saving systems. Through our transportation management system which optimizes our freight vehicles' delivery routes, we reduce the total travel distance of our freight vehicles, thereby reducing our energy consumption.

Environmental Compliance

We are subject to relevant environmental laws and regulations. For details, please refer to "Regulations — Regulations on Environmental Protection." Regulators may impose more stringent environmental requirements and standards on us. For example, we may have to switch to cleaner energy and more energy efficient operating equipment, and further reduce emissions of wastewater and solid pollutants, which may increase our operating costs.

We comply with national regulations to reduce plastic pollution and promote circular economy. We continuously work on alternative packaging solutions and spread food waste prevention message to minimize waste. Since 2020, we have gradually adopted the use of environmentally friendly materials for our cups, straws and product stickers. During the Track Record Period, we had cumulatively provided our franchisees with approximately 1.1 billion cups, 2.5 billion straws, 380 million bags and 5 million forks and spoons made with environmentally friendly materials. We also adopt online, paperless training methods for our franchisees. In the nine months ended September 30, 2023, our online training sessions, such as video tutorial for newly launched beverages, was completed for over 1.6 million times. In terms of food waste prevention, our ingredient expiration management system allows for efficient tracking of ingredient shelf-life. We leverage various advanced technologies to reduce fruit spoilage. For example, by promptly processing mangoes at source and strictly controlling their packaging, delivery and ripening processes, we decreased the ripening spoilage rate to 9% in the nine months ended September 30, 2023, far below the industry average of approximately 20%. We also maintain compliance with laws and regulations governing environmental protection.

Health and Work Safety

We are subject to relevant health and safety laws and regulations. For details, please refer to "Regulations — Regulations on Labor Right and Interests — Work Safety." During the Track Record Period, we complied with the relevant applicable occupational health and safety laws and regulations in all material respects in the PRC. We strive to provide a safe working environment for our employees and implement work safety guidelines for all of our employees.

Corporate Social Responsibilities

We are committed to being responsible corporate citizens, continuously fulfilling corporate social responsibility. We recognize the size and influence of our platform, and seek to utilize our influence in a socially responsible manner. We actively encourage and support socially responsible initiatives and promote the concept of corporate social responsibility throughout our company.

Community Outreach

We actively engage with stakeholders in our community. As of September 30, 2023, our franchisees and we collectively and cumulatively created employment opportunities for over 130,000 people, and our efforts to directly procure ingredients from the sources have benefited many producers in the agriculture sector. We procured over 81,600 tons of fresh fruits spanning across over 30 kinds in 2022, making us the largest purchaser among China's freshly-made tea store brands in the same period, according to the CIC Report. In 2023, we co-founded the "new tea beverages charity fund" with the China Foundation for Rural Development to facilitate rural area development, provide industrial support for farmers and explore sustainable paths for rural area revitalization.

Employee Well-being

We believe a core part of our corporate social responsibility is to take care of our employees. We value our people and respect the dignity, character, privacy, and personal interest of each of our employees. We place strong emphasis on well-being in the workplace. Activities are organized regularly to facilitate our employees to explore and pursue their hobbies and interests, and achieve a healthy work-life balance. In the nine months ended September 30, 2023, we organized five large-scale activities that involved almost all of our employees. We also foster inclusion and equality among employees from all backgrounds, regardless of age, gender, disability, and citizenship status, among others. As of September 30, 2023, 47% of our employees are female. We believe that diversity, including but not limited to gender diversity, is important to us in thriving in the business environment.

Professional Development

We encourage everyone within our organization to pursue professional development opportunities. In furtherance of this goal, we have been offering trainings and career development programs to our employees to support their growth and upward mobility. We encourage our young employees to take leadership roles. We provide a large variety of professional development training. In the nine months ended September 30, 2023, we provided approximately 16,000 hours of training with over 13,000 cumulative attendees. We conduct employee assessments at the end of each year to provide feedback and guidance, and, depending on their performance and responsibilities, provide promotion and training opportunities.

Business Ethics

We are committed to shaping our corporate governance and culture to a high standard. We believe good governance and healthy culture are essential to our employees' well-being as well as our business development. To this end, we have put in place a series of internal regulations to set forth the guidelines for compliance with laws and regulations and promote honest and ethical conduct, including our code of business conduct and ethics, anti-corruption compliance policy, and internal control manual.

INSURANCE

As of the Latest Practicable Date, we maintained various insurance policies relating to our business operations. For our operations, we mainly purchase property insurance and employer's liability insurance. We consider that the coverage from the insurance policies maintained by us is adequate for our present operations and is in line with industry norms. For more information, please see "Risk Factors — Risks Related to Our Business — The insurance policies we have might not offer sufficient coverage for all risks related to our business operations."

RISK MANAGEMENT AND INTERNAL CONTROL

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations as set out below.

Control of Third-Party Payment Arrangements

During the Track Record Period, we accepted payment made on behalf of certain of our franchisees (the "**Relevant Franchisees**") through the accounts of third parties designated by the Relevant Franchisees (the "**Third-party Payment Arrangement**"). As of the Latest Practicable Date, we had ceased accepting third-party payments and updated our system such that our franchisees can only pay with their own bank accounts. As advised by our PRC Legal Advisor, the Third-party Payment Arrangement is not in breach of mandatory requirements of the current applicable laws and regulations in China. We believe that the cessation of Third-party Payment Arrangement did not and will not have a material adverse effect on our business.

During the Track Record Period, we have duly booked all payments received under the Third-pay Payment Arrangement according to our internal accounting policies and tax related laws and regulations. During the respective periods, we received third-party payments from 729, 573 and 595 franchisees, and the aggregate amount of third-party payments we received was RMB867.9 million, RMB1,017.8 million from and RMB831.6 million, respectively, representing approximately 18.0%, 16.9% and 13.8% of the total payments we received from our franchisees, respectively. From October 1, 2023 to the Latest Practicable Date, we received third-party payments from 209 franchisees and the aggregate amount of third-party payments we received was RMB25.1 million. During the Track Record Period, no individual Relevant Franchisee had a material impact on our revenue.

During the Track Record Period, to the best of our knowledge, the third parties designated by the Relevant Franchisees primarily include the Relevant Franchisees' family members and employees. To the best of our knowledge, none of the third parties designated by the Relevant Franchisees is our connected person and all designated third parties are independent from each of our Directors, senior management and Shareholders.

During the Track Record Period, (i) we had not proactively initiated any Third-party Payment Arrangement or participated in other forms in any of such arrangement; (ii) we had not provided any discount, commission, rebate or other benefit to any of the Relevant Franchisees to facilitate or incentivize the Third-party Payment Arrangement; and (iii) the pricing and payment terms of the agreements we entered into with the Relevant Franchisees were generally in line with franchisees not involved in the Third-party Payment Arrangement.

Reasons for the Third-party Payment Arrangements

As confirmed by CIC, it is not uncommon for franchisees in the freshly-made tea store market to settle their corporate transactions through third-party payors such as their family members. Our use of the Third-party Payment Arrangements was primarily due to the following reasons:

- *Payment convenience.* Many of our franchisees are small-sized private businesses. For convenience, some of them prefer the settlement arrangement of payment through designated third parties, such as family members, which may offer more flexibility in terms of handling transactions.

- *Managing multiple stores.* For some of our franchisees that manage multiple franchised stores, they prefer to use multiple banks accounts to track the individual financial performance of each store. In doing so, they use accounts of third parties such as their employees.

Implication and Termination of the Third-party Payment Arrangements

To ascertain the implications of the third-party payment arrangements, we communicated with the Relevant Franchisees and their designated third-party payors and obtained confirmations from a vast majority of them, including:

- The third-party payment arrangement was a voluntary arrangement between the Relevant Franchisees and their designated third parties. We did not propose any such arrangement and, except for accepting the payments, did not participate in such arrangement in any other way;

- The Relevant Franchisees' delegation of payment obligations to their designated third-party payors involve genuine underlying business transactions between the Relevant Franchisee and us. The third-party payments are not used for bribery or other illegitimate purposes;

- The Relevant Franchisees and their designated third parties did not receive any financial aid from us. Funds involved in the third-party payments were from legal sources and such third-party payment arrangement was not used for illegal activities such as money laundering;

- All risks arising from the above third-party payment shall be borne by the Relevant Franchisees and their designated third-party payors and not us;

- The payment obligation of the Relevant Franchisees shall be deemed to be fully performed after the designated third-party payors paid the amount due;

- The designated third-party payors have not and will not request for the return of funds paid to us under the Third-Party Payment Arrangement;

- We are entitled to seek payment from the Relevant Franchisees in the event that the designated third-party payors failed to perform the payment obligation in full or in part; and

- We shall not be involved in any risks or disputes arising from the payment arrangement between the Relevant Franchisees and their designated third-party payors, and are not obligated to return the payment received from the designated third-party payors regardless of any disputes between the Relevant Franchisees and their designated third-party payors.

Moreover, as of the Latest Practicable Date, we are not aware of any commercial bribery, money laundering, tax evasion or existing or potential disputes existed under the Third-party Settlement Arrangement and are not subject to any administrative notice, investigation or penalty related to the Third-party Settlement Arrangement. As advised by our PRC Legal Advisor, in light of the above, (i) the Third-party Payment Arrangement is not in breach of mandatory requirements of current applicable laws and regulations in China; (ii) with respect to the Relevant Franchisees and their designated third parties who have duly made the confirmations above, the risks for our Group to be obligated to return the payments under the Third-party Payment Arrangement to the Relevant Franchisees and their designated third parties are remote; and (iii) considering the compliance confirmation by the relevant local branches of PBOC to applicable subsidiaries, the risks that we were deemed as committing the crime of money laundering and subject to relevant criminal liability thereto are remote.

We had ceased accepting third-party payments as of the Latest Practicable Date. We believe that the cessation of Third-party Payment Arrangement did not and will not have a material adverse effect on our business. Nevertheless, we face certain risks relating to the Third-party Payment Arrangement. For details, see "Risk Factors — Risks Related to Our Business — We face risks in connection with Third-party Payment Arrangements."

Our Enhanced Internal Control measures

We have adopted internal control measures to mitigate risks relating to, and prevent future occurrences of, the Third-party Payment Arrangement.

All of our franchisees are required to register for accounts on our MDB system to place orders for supplies, and to link their accounts to certain payment methods. Previously, on the MDB system, franchisees were allowed to link their accounts to third-party bank accounts and pay for their orders with these accounts. As of the Latest Practicable Date, we had updated our system to only allow franchisees to pay with their own bank accounts and automatically reject any payment made with third-party accounts. To confirm that the bank accounts used belong to the relevant franchisees, we have developed our MDB system to interface with the payment system of financial institutions such as banks to verify key elements of the bank account information, including account owners' names, ID numbers, cell phone number and bank card number. As of the Latest Practicable Date, we had completely ceased accepting third-party payments.

We intend to continuously monitor the effectiveness of our internal control measures to prevent third-party payments and promptly address any identified deficiencies. We believe the foregoing internal control measures are sufficient and can substantially mitigate any risk we face relating to future use of third-party payments.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial reporting management policies, budget management policies, treasury management policies, financial statements preparation policies and finance department and staff management policies. We have various procedures and IT systems in place to implement our accounting policies, and our finance department reviews our management accounts based on these procedures. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

Internal Control Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our legal, finance and other departments work closely together to: (a) perform risk assessments and give advice on risk management strategies; (b) improve business process efficiency and monitor internal control effectiveness; and (c) promote risk awareness throughout our company.

In accordance with our internal procedures, our in-house legal and finance departments review due diligence materials and contracts of suppliers and franchisees, and work with relevant business units to obtain and maintain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines.

We continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

Audit Committee Experience and Qualification and Board Oversight

We have established an audit committee to monitor the implementation of our risk management policies across our company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

The audit committee consists of three members, namely Mr. Wei Jye Jacky Lo, Mr. Jianbo Li and Mr. Yaoxin Huang, all of whom are non-executive directors. Mr. Wei Jye Jacky Lo is the chairperson of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see "Directors and Senior Management."

We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee and senior management on any issues identified. Our internal audit department members hold regular meetings with management to discuss any internal control issues we face and the corresponding measures to implement toward resolving the issues. The internal audit department reports to the audit committee to ensure that any major issues identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors, if necessary.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

LICENSES AND REGULATORY APPROVALS

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to obtain various licenses and regulatory approvals to operate our business. Please refer to the section entitled "Regulation" in this document for details about the regulations that apply to us.

During the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licenses that are material to our business operations from the relevant government authorities. All of our licenses are valid and subsisting. Our Directors do not expect any impediment in the renewal of our licenses.

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

Type of License or Regulatory Approval	Number of Licenses
Record-filing for Commercial Franchise (商業特許經營備案)	1
Food Operation License (食品經營許可證)	9
Food Production License (食品生產許可證)	3
Road Transportation Operation Permit (道路運輸經營許可證)	8
Record-filing for the Sale of Prepackaged Food Only (僅銷售預包裝食品備案)	11

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property infringement, violation of third-party licenses or other rights, breach of contract and labor and employment claims. We are currently not a party to, and we are not aware of any threat of, any legal or administrative proceedings that, in the opinion of our management, are likely to have any material adverse effect on our business, financial condition, cash-flow or results of operations.

Compliance

Save for the historical tax non-compliance disclosed below, which we do not believe have had or will have a material adverse impact on our business operations or financial results, during the Track Record Period and up to the Latest Practicable Date, we had complied with all relevant laws and regulations applicable to us in all material respects concerning our operations. For more information about the laws and regulations applicable to us, please see "Regulations."

Historical Tax Non-Compliance

In December 2021, the investigation division of the tax bureau of Taizhou city (the "**Investigation Authority**") found that Guming Technology had underpaid taxes and surcharges for the period from June 14, 2018 to January 31, 2020 (the "**Relevant Period**") in a total amount of RMB23.6 million, and imposed on it a fine of RMB11.6 million and a late payment fee of RMB6.5 million. Guming Technology fully settled the underpaid taxes and surcharges, the fine and the late payment fee by January 2022.

Guming Technology was established in June 2018. Back then, our business experienced a period of rapid expansion. However, in the early stage of its establishment, Guming Technology did not have sophisticated internal control systems in place to cope with its rapid business growth and ensure that all its tax reporting obligations were duly performed. As a result, some of Guming Technology's revenue during the Relevant Period, which was prior to the Track Record Period, was not recognized for tax reporting and Guming Technology underpaid the relevant taxes.

We believe the tax non-compliance incident mentioned above did not and will not have any material adverse effect on our business operations or financial results. We have obtained a confirmation from the Investigation Authority that confirms (i) Guming Technology had fully and timely settled the underpaid taxes, the fine and the late payment fee; (ii) no aggravating factors were found in respect of the tax non-compliance; (iii) the investigation of the tax non-compliance had concluded; and (iv) from the date of establishment of Guming Technology and up to the date of such confirmation, save for the tax non-compliance incident mentioned above, the Investigation Authority has not found any other tax non-compliances of Guming Technology that may lead to the imposition of penalties or recovery of tax by the Investigation Authority, and there were no existing or potential disputes, arbitration or litigations between Guming Technology and the Investigation Authority. We have also obtained a tax compliance certificate from the tax bureau of Wenling, Taizhou, which is the relevant competent authority to issue such certificate as advised by our PRC Legal Advisor, that confirms that up to September 30, 2023, save for the tax non-compliance incident mentioned above, (i) Guming Technology had duly filed its tax returns and fully paid the amount of tax due in compliance with relevant PRC laws and regulations, and (ii) Guming Technology had not been subject to any other tax related investigations or penalties.

We have implemented a series of enhanced internal control measures to prevent the recurrence of similar non-compliance incidents and we have not experienced any incident similar to the tax non-compliance incident mentioned above during the Track Record Period. We have strengthened the composition of our finance department and Mr. Hailing Meng, who has extensive experience in finance, accounting and internal control, has assumed the role of our chief financial officer. In addition, we have put in place a sophisticated IT system to manage the receipt of orders and funds. We require all franchisees to place orders through our electronic ordering system which automatically generate invoices and transmit transaction information to our financial systems. Based on a review of our internal control policies for the most recent year and sampling work conducted by our internal control consultant, no material deficiencies have been identified in our current internal control policies for tax reporting, accounting control and bank account management. For details of our risk management and internal control policies, see "— Risk Management and Internal Control."

COMPETITION

China's freshly-made tea store market was historically fragmented and has been continuously consolidating. According to the CIC Report, the top five freshly-made tea store brands' market share, in terms of GMV, increased from 38.5% in 2020 to 44.3% for the nine months ended September 30, 2023.

We target the mid-priced freshly-made tea stores market which has a large consumer base across China. Our market share in China's mid-priced freshly-made tea store market was 16.4% in terms of GMV for the nine months ended September 30, 2023, making us the largest in the China's mid-priced freshly-made tea store market. We believe that our leading position in the mid-priced freshly-made tea store market is a testament to the competitive strength of our products.

Players in China's freshly-made tea stores market compete on product quality and consistency, value for money, consumer experience, store network coverage, consumer acquisition and retention, supply chain capabilities and other factors. We compete against other freshly-made tea stores brands, some of which operate or have franchised stores in close proximity to our stores and compete directly with us.

For more information about our industry and the risks we face, please refer to the sections headed "Industry Overview" and "Risk Factors — Risks Relating to Our Business and Industry — We operate in a highly competitive and rapidly changing market in China. We face intense competition in China's freshly-made tea beverage market. Any failure to compete effectively might negatively impact our market share and profitability."

AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our products and services. Some of the significant awards and recognition we have received are set forth below.

Award/Recognition	Award Year	Awarding Institution/Authority
2023 Annual "Golden Shield" Product Quality Award (2023年年度質量金盾案例)	2023	China Product Quality Journal (中國質量報刊社) and China Quality News (中國質量新聞網)
2023 Top 100 Food and Beverage Brand – the "Red Eagle Award" (2023年度餐飲品牌力百強–紅鷹獎)	2023	Hongcan.com (紅餐網)
2023 Top 100 High Quality Consumer Product Award (2023年高品質消費百強榜)	2023	Southern Metropolis Daily (南方都市報)
2022 Industry Leader – Tencent Smart Retail All-channel Digital Management Award (2022年度行業標桿-騰訊智慧零售全域數字經營榜)	2022	Tencent – Tencent Smart Retail (騰訊-騰訊智慧零售)
Kamen Annual Strategic Influential Brand Award (咖門年度戰略影響力品牌)	2022	Kamen (咖門)
Douyin Annual Influential Brand Award (抖音年度影響力品牌)	2022	Douyin (抖音)
China's Top 100 Restaurant Franchise Brands (中國餐飲加盟榜)	2021	China Chain Store and Franchise Association (中國連鎖經營協會) and Meituan (美团)

Our business activities are subject to extensive supervision and regulation by the PRC government. This section sets forth a summary of the major laws, rules and regulations that are applicable to our current business activities within the territory of the PRC.

REGULATIONS ON FOREIGN INVESTMENT IN THE PRC

The establishment, operation and management of companies in China are governed by the PRC Company Law (《中華人民共和國公司法》), as amended in 1999, 2004, 2005, 2013 and 2018 respectively. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign-invested companies. On December 30, 2019, MOFCOM and SAMR promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which came into effect on January 1, 2020, repealing the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》). Where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-invested companies shall report investment information to commerce departments. On December 27, 2021, MOFCOM and NDRC promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》), or the Negative List (2021), which became effective on January 1, 2022. The catering services and general food production and sales were not included in the Negative List (2021). Fields that are not included in the Negative List (2021) shall be regulated according to the principle of equal treatment of domestic and foreign investments.

On March 15, 2019, the SCNPC approved the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), and on December 26, 2019, the State Council promulgated the Implementing Rules of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), or the Implementing Rules, to further clarify and elaborate the relevant provisions of the Foreign Investment Law. The Foreign Investment Law and the Implementing Rules both took effect on January 1, 2020 and replaced three previous major laws on foreign investments in China, namely the Sino-foreign Equity Joint Venture Law (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), together with their respective implementing rules. Pursuant to the Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors (including foreign natural persons, foreign enterprises or other foreign organizations) directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council. The Implementing Rules introduce a see-through principle and further provide that foreign-invested enterprises that invest in the PRC shall also be governed by the Foreign Investment Law and the Implementing Rules.

REGULATIONS ON BUSINESS OPERATION OF FOOD SERVICE INDUSTRY IN THE PRC

Food Safety Law and Implementation Rules

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》), or the Food Safety Law, effective on June 1, 2009 and most recently amended on April 29, 2021, the State Council implemented a licensing system for food production and trading activities. A person or entity that engages in food production, food selling or catering services shall obtain the license in accordance with the Food Safety Law.

The Implementation Rules of the Food Safety Law (《中華人民共和國食品安全法實施條例》), effective on July 20, 2009 and last amended on October 11, 2019, further specifies the detailed measures to be taken for food producers and business operators and the penalties that shall be imposed should these required measures not be implemented.

Food Operation Licensing

The Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), promulgated by China Food and Drug Administration (currently merged into SAMR) on August 31, 2015 and amended on November 17, 2017. According to the Administrative Measures for Food Operation Licensing, a person or entity that engages in food selling and catering services within the PRC shall obtain a food operation license in accordance with the law.

According to the Administrative Measures for Food Operation Licensing, the food operation license is valid for five years upon its issuance. Food operators shall display their original food operation licenses prominently at their sites of operation. If the licensing items which are indicated on a food operation license change, the food operator shall, within 10 business days after the changes take place, apply for alteration of the operation license with the food and drug administrative authority which originally issued the license. Those who engage in food operation activities but failed to obtain a required food operation license shall be punished by the local food and drug administrative authorities at or above the county level according to Article 122 of the Food Safety Law, which provided that the authorities shall confiscate their illegal income, the food or food additives illegally produced or dealt in, and the tools, equipment, raw materials, and other items used for illegal production or operation, and impose a fine of not less than RMB50,000 but not more than RMB100,000 on them if the goods value of the food or food additives illegally produced or dealt in is less than RMB10,000 or a fine of not less than 10 times but not more than 20 times the goods value if the goods value is RMB10,000 or more.

Product Quality

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on February 22, 1993 and most recently amended on December 29, 2018 by the SCNPC, the seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not possess the properties for use that it should possess, and no prior and clear indication is given of such a situation; (ii) the product sold does not conform to the applied product standard as carried on the product or its packaging; or (iii) the product sold does not conform to the quality indicated by such means as a product description or physical sample. If a consumer incurs losses because of purchased product, the seller shall compensate for such losses.

On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》), or the Civil Code, was adopted by the SCNPC, which became effective on January 1, 2021, according to which, a manufacturer or a commercial seller is subject to liability for harm to persons or property caused by the product defects. The infringed may seek compensation from the manufacturer or the commercial seller. Where the infringed seeks compensation from the commercial seller, the commercial seller shall have the right to make a claim against the liable manufacturer after it has made compensation.

Food Recall

The Administrative Measures for Food Recall (《食品召回管理辦法》) was promulgated by China Food and Drug Administration on March 11, 2015 and was most recently amended on October 23, 2020. According to the Administrative Measures for Food Recall, a food producer or business operator shall assume primary responsibilities for food safety by establishing a sound management system, collecting and analyzing food safety information and performing legal duties of the cease of production and operation as well as recall and disposal of unsafe food. Where a food producer finds that its production of food does not comply with the food safety standards, it shall cease the production, recall the food on the market for sale, notify the relevant producers and operators, as well as consumers, and record the recalling and notification at once. Where a food operator finds that the food traded by it does not comply with the food safety standards, it shall immediately cease the trading, notify the relevant producers and operators, as well as consumers, and record the cessation of operation and notification. Where the food producers consider that the food shall be recalled, the food shall be recalled immediately. The food producers are required to take such measures as remedy, destruction and harmless treatment for the recalled food, and report the recalling and treatment of the recalled food to the quality supervision department at or above the county level. Where the food producers or operators fail to recall or cease trading of the food and thus fail to comply with the food safety standards in accordance with the provisions of the laws, the quality supervision, administration for industry and commerce, food and drug supervision and administration departments at and above the county level shall order them to recall or cease the sale. Where any food operator violates the Administrative Measures for Food Recall and does not suspend the operation or proactively recall unsafe food in a timely manner, the competent authorities shall issue warnings to it and impose fines between RMB10,000 and RMB30,000.

Sanitation of the public assembly venue

The Regulation on the Administration of Sanitation in Public Places (《公共場所衛生管理條例》), effective on April 1, 1987 and as amended on February 6, 2016 and April 23, 2019, and the Implementation Rules of the Regulation on the Administration of Sanitation in Public Places (《公共場所衛生管理條例實施細則》), effective on May 1, 2011 and as amended on January 19, 2016 and December 26, 2017, were promulgated by the Ministry of Health (currently known as National Health Commission of the People's Republic of China), respectively. The regulations were adopted to create favorable and sanitary conditions for the public assembly venues, prevent disease transmission and safeguard people's health. Depending on the requirements of the local health and family planning administrations, a restaurant is required to obtain a public assembly venue hygiene license from the local health authority after it applies for a business license to operate its business. The Decision of the State Council on the Integration of Sanitary Permits and Food Business Licenses in Public Places for Restaurant Services (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》), which was promulgated by the State Council on February 3, 2016, cancels the hygiene permits issued by the local health authorities for four kinds of public places, including restaurants, cafes, bars and teahouses, and integrates the contents of the food safety into the food operation licenses issued by the food and drug regulatory authorities.

REGULATIONS ON FOOD IMPORT AND EXPORT INSPECTION AND QUARANTINE IN THE PRC

Food Import and Export

Under the Food Safety Law as well as Implementing Rules on the Food Safety Law, the imported food, food additives and food-related products shall be consistent with the national food safety standards of China. A food importer shall apply for inspection with the import and export inspection and quarantine authority for the imported food and food additives, make truthful reports on the relevant information of products, and attach qualified documents as provided by the laws and administrative regulations. The imported food, after arrival at the port, shall be stored in the place designated or approved by the import and export inspection and quarantine authority; where relocation is required, necessary safety protection measures shall be taken in accordance with the requirements of the import and export inspection and quarantine authority. Bulk imported food shall be subject to inspection at the port of discharge. The Administrative Department of Health under the State Council shall, in compliance with the provisions of Article 93 of the Food Safety Law, review the relevant national (regional) standards or international standards submitted by overseas exporters, overseas production enterprises or their entrusted importers, and then decide to tentatively apply and publish such standards as found in line with food safety requirements. Before the publication of such tentative applicable standards, no import shall be conducted regarding food without national food safety standards yet.

Pursuant to the Measures for the Supervision and Administration of Inspection and Quarantine of Inbound Fruits (《進境水果檢驗檢疫監督管理辦法》), promulgated by the State Administration of Quality Supervision Inspection and Quarantine (cancelled) on January 5, 2005 and effective from July 5, 2005, and most recently amended by the General Administration of Customs on November 23, 2018 and effective from the same day, before entering into a trading contract or agreement for inbound fruits, an application for quarantine approval for inbound fruits shall be filed with the General Administration of Customs in accordance with relevant regulations and the License for Import Animal and Plant Quarantine of the PRC (《中華人民共和國進境動植物檢疫許可證》) shall be obtained. Inbound fruits shall be consistent with the relevant inspection and quarantine requirements. For example, other fruits not specified in the plant quarantine license shall not be mixed in or entrained; the name, source, name or code of the packing factory of fruits shall be tagged on the packing box in Chinese or English; quarantine pests, soil, and plant debris of branches and leaves prohibited in China shall not be brought in; and the volume of toxic and harmful substances examined shall not exceed as stipulated by relevant safety and health standards in China.

Foreign Trade

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), or the Foreign Trade Law, promulgated by the SCNPC on May 12, 1994 and amended on December 30, 2022, since December 30, 2022, no registration of foreign trade operators is required. The PRC government allows the free import and export of goods and technologies, unless otherwise provided by laws and administrative regulations. Before December 30, 2022, pursuant to the pre-amendment Foreign Trade Law, a foreign trade operator who is engaged in the import and export of goods or technologies shall process the filing and registration with the foreign trade authority under the State Council or its entrusted agencies, unless otherwise provided by the laws, administrative regulations and requirements of the foreign trade authority under the State Council. Where a foreign trade operator fails to do so, Customs shall not handle the formalities for declaration and clearance of the goods imported or exported by the operator.

Customs Law

According to the Customs Law of the PRC (《中華人民共和國海關法》), adopted by the SCNPC on January 22, 1987, most recently amended on April 29, 2021 and effective on the same date, the Customs of the People's Republic of China is the entry and exit customs supervision and administration authority of PRC. According to the relevant laws and administrative regulations, the Customs supervises the transportation vehicles, goods, luggage, postal articles and other articles entering and leaving the country, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

According to the Regulations of PRC Customs on Administration of Recordation of Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), adopted by the General Administration of Customs on November 19, 2021 and effective on January 1, 2022, customs declaration entities refer to the consignees and consignors of import and export goods and customs declaration enterprises recorded with the customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities; among them, if the consignees and consignors of import and export goods apply for recordation, they shall also obtain the recordation of the foreign trade operators. The recordation of the customs declaration entities is valid for a long period of time, while the temporary recordation is valid for one year, after the expiry reapplication of recordation can be made.

REGULATIONS ON COMMERCIAL FRANCHISING

Pursuant to the Regulations on the Administration of Commercial Franchising (《商業特許經營管理條例》), or the Franchising Regulations, which promulgated by the State Council on February 6, 2007, and became effective on May 1, 2007, commercial franchising refers to the business activities where a franchisor, being an enterprise possessing registered trademarks, corporate logos, patents, proprietary technology, or other business resources, licenses through contracts its business resources to the franchisees, being other business operators, and the franchisees carry out business operation under a uniform business model and pay franchising fees to the franchisor pursuant to the contracts. The Franchising Regulations requires that any enterprise engaging in trans-provincial franchise business shall register with the MOFCOM, and any enterprise engaging in franchise business within one province shall register with the provincial counterpart of the MOFCOM. The Franchising Regulations also set forth a number of requirements for the franchisors and to govern the franchise agreements. For example, the franchisors and franchisees are required to enter into franchising agreements containing certain required terms, and the franchise term thereunder shall be no less than three years unless otherwise agreed by the franchisee.

On December 12, 2011, the MOFCOM promulgated the Administrative Measures for the Filing of Commercial Franchisees (《商業特許經營備案管理辦法》), which became effective on February 1, 2012 and sets forth in detail the procedures and documents required for such filing, including, among other things, within 15 days after executing the first franchise agreement, the franchisor shall file with the MOFCOM or its local counterparts for record, and if there occurs any change to the franchisor's business registration, business resources, and the distribution of all franchisee outlets throughout China, the franchisor shall apply to the MOFCOM for alteration within 30 days after the occurrence of such change. Furthermore, within the first quarter of each year, the franchisor shall report the execution, revocation, termination, and renewal of the franchise agreements occurring in the previous year to the MOFCOM or its local counterparts, the failure of which may subject the franchisor to an order of rectification and a fine up to RMB50,000.

Pursuant to the Administrative Measures on the Information Disclosure of Commercial Franchising (《商業特許經營信息披露管理辦法》), promulgated by the MOFCOM on April 30, 2007, amended on February 23, 2012 and effective on April 1, 2012, the franchisor shall disclose to franchisees a list of information in writing at least 30 days prior to the execution of the franchising agreements, such as basic information of the franchisor and the franchise activities, basic information of business resources owned by the franchisor and basic information on franchise expenses.

REGULATIONS ON FIRE PREVENTION

Pursuant to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》), promulgated by the SCNPC on April 29, 1998 and recently amended on April 29, 2021, and the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and effective on June 1, 2020, fire acceptance should be completed for special construction projects which meet certain conditions. The construction project that fails to complete the required as-built acceptance check on fire prevention shall be ordered by the relevant governmental authorities to close down and shall be imposed a fine between RMB30,000 and RMB300,000. Special construction projects that have not passed the fire prevention inspection or the fire prevention inspection are prohibited from being put into use. Construction projects other than special construction projects shall go through the fire safety acceptance filing, and the competent housing and urban-rural development authorities shall conduct random inspections on the fire safety acceptance of other construction projects filed. If the construction projects fail to pass the random inspection on fire safety acceptance, such projects shall be suspended.

On August 12, 2015, the Ministry of Public Security promulgated Eight Measures to Deepen Reform and Serve Economic and Social Development (《公安消防部門深化改革服務經濟社會發展八項措施》), or the Eight Measures. According to the Eight Measures, construction projects with an investment of less than RMB300,000 or a construction area of less than 300 square meters is not required to obtain the as-built acceptance check on fire prevention or fire safety filing, and competent authorities of housing and urban-rural development at the provincial level may formulate detailed rules of implementation pursuant to these measures.

REGULATIONS ON REAL ESTATE LEASING

According to the PRC Civil Code (《中華人民共和國民法典》) which became effective on January 1, 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from the execution of the property lease agreement with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

REGULATIONS ON ADVERTISING

The Advertising Law of the PRC (《中華人民共和國廣告法》), or the Advertising Law, was promulgated by the SCNPC on October 27, 1994, and was most recently amended on April 29, 2021, which applies to the commercial advertising activities conducted by business operators or service providers within the territory of PRC to directly or indirectly introduce their commodities or services through a certain medium and form.

According to the Advertising Law, advertisements shall not contain any false or misleading information, and shall not deceive or mislead customers. Each advertiser, advertising agent or advertisement publisher shall comply with laws and regulations, act in good faith, and conduct the fair competition when engaging in advertising activities. In an advertisement, the statements regarding the performance, function, place of origin, use, quality, ingredients, price, producer, valid period and guarantees of the product, or the content, provider, form, quality, price and guarantees of the service, shall be accurate, clear and explicit. Failure to comply with the Advertising Law may subject the violators to punishment, including but not limited to fine, confiscating advertising fees, suspension of the advertisement publishing business, revocation of business license, or revocation of advertisement censorship.

REGULATIONS ON ANTI-UNFAIR COMPETITION

Anti-Unfair Competition Law

The principal legal provisions governing market competition are set out in the Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), or the Anti-Unfair Competition Law, which was promulgated by the SCNPC on September 2, 1993, and amended on November 4, 2017, and April 23, 2019, respectively. In accordance with the Anti-Unfair Competition Law, operators should abide by the principles of voluntariness, equality, fairness, honesty, and integrity, and abide by laws and recognized business ethics when trading in the market. When an operator disrupts the competition order and infringes the legitimate rights and interests of other operators or consumers in violation of the Anti-Unfair Competition Law, its behavior constitutes unfair competition. When the legitimate rights and interests of an operator are damaged by unfair competition, the operator may file a lawsuit with the people's court. If an operator violates the provisions of the Anti-Unfair Competition Law, engages in unfair competition, and causes damage to another operator, it shall be liable for damages. If the damage suffered by the injured operator is difficult to ascertain, it shall be determined in accordance with the profit obtained by the infringer through the infringement. The infringer shall also bear all reasonable expenses paid by the infringed operator to cease the infringement.

Price Law

According to the Price Law of the PRC (《中華人民共和國價格法》), or the Price Law, which was promulgated by the SCNPC on December 29, 1997 and effective on May 1, 1998, business operators are prohibited from engaging in unfair pricing activities, including manipulating market prices, dumping commodities at a price lower than cost, manipulation of prices, deception of consumers or other business operators by using false or misleading prices, and price discrimination. If a business operator violates the Price Law, he/she shall be subject to administrative penalties, such as warning, cessation of illegal activities, confiscation of illegal gains, being fined not more than five times the illegal gains thereof, and the business operator may be ordered to suspend business for rectification or the business license may be revoked in severe circumstances.

REGULATIONS ON CONSUMER PROTECTIONS

The Law of the PRC on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) was promulgated on October 31, 1993 and amended on August 27, 2009 and October 25, 2013, to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to consumers. Under the amendments made on October 25, 2013, all business operators must pay high attention to protecting consumers' privacy and must strictly keep confidential any consumer information they obtain during their business operations.

REGULATIONS ON CYBER SECURITY AND INFORMATION SECURITY

Cyber Security

According to the National Security Law of the PRC (《中華人民共和國國家安全法》) promulgated by the SCNPC on July 1, 2015, which became effective on the same day, the state shall establish systems and mechanisms for national security review and supervision, conduct national security review on key technology and network information technology products and services related to state security, so as to prevent and neutralize state security risks in an effective way.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》), or the Cyber Security Law, which was promulgated by the SCNPC on November 7, 2016 and became effective on June 1, 2017, requires a network operator, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individual or organization that uses networks shall not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others.

In addition, the CAC and the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, or the MOF, the MOFCOM, the People's Bank of China, or the PBOC, the SAMR, the National Radio and Television Administration, the CSRC and the National Administration of State Secrets Protection and State Cipher Code Administration jointly promulgated the Measures for Cyber Security Review (《網絡安全審查辦法》), or the Cyber Security Review, on December 28, 2021, which became effective on February 15, 2022. The Cyber Security Review specifies that the procurement of network products and services by critical information infrastructure operators and the activities of data process carried out by online platform operators, that raise or may raise "national security" concerns are subject to strict cyber security review by the Office of Cyber Security Review established by the CAC. In addition, an online platform operator that possess the personal data of at least one million users must apply for cyber security review by the Cyber Security Review Office if it plans on listing companies in foreign countries. The Cyber Security Review Office may voluntarily conduct a cyber security review if any network products and services, activities of data process or listing of companies overseas affects or may affect national security. Pursuant to the Cyber Security Review, any violation shall be punished in accordance with the Cyber Security Law, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties and suspension of our noncompliant operations.

Information Security

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), or the Personal Information Protection Law, was promulgated by the SCNPC on August 20, 2021 and became effective on November 1, 2021. Instead of relying solely on "notification and consent" as established in the Cyber Security Law, the Personal Information Protection Law reiterates the circumstances under which a personal information processor could process personal information and the requirements for such circumstances, such as when (i) the individual's consent has been obtained; (ii) the processing is necessary for the conclusion or performance of a contract to which the individual is a party; (iii) the processing is necessary to fulfill statutory duties and statutory obligations; (iv) the processing is necessary to respond to public health emergencies or protect a natural person's life, health and property safety under emergency circumstances; (v) the personal information that has been made public is processed within a reasonable scope in accordance with this law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation. It also stipulates the obligations of a personal information processor. Any violation of the provisions and requirements under the Personal Information Protection Law may subject a personal information processor to rectifications, warnings, fines, suspension of the related business, revocation of licenses, being entered into the relevant credit record or even criminal liabilities.

In addition, on February 4, 2015, the CAC promulgated the Regulations on the Administration of Internet User Account Names (《互聯網用戶賬號名稱管理規定》), which became effective on March 1, 2015 and requires that internet information service providers shall implement security management responsibilities, improve user service agreements, prevent users from having illegal and bad information in the registration information, such as account name, avatar and profile, equip professionals appropriate to the service scale, review the registration information, such as account name, avatar and profile submitted by internet users, and refuse to register those containing illegal and bad information. Internet information service providers shall consciously accept social supervision, and timely deal with illegal and bad information in registration information such as account name, avatar and profile reported by the public. Service providers shall also, in accordance with the principle of "real name at the back and voluntary at the front" require users to register their account after passing the authentication of real identity information.

Moreover, on June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》), or the Data Security Law, which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding establishing basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency disposal system. In addition, it clarifies the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility.

Further, on November 14, 2021, the Administration Regulations on Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), or the Cyber Data Security Draft, was proposed by the CAC for public comments until December 13, 2021. The draft measures reiterates that data processors which process the personal information of at least one million users must apply for a cyber security review if they plan the listing of companies in foreign countries, and the draft measures further require the data processors that carry out the following activities to apply for cyber security review in accordance with the relevant laws and regulations: (i) the merger, reorganization or division of internet platform operators that have gathered a large number of data resources related to national security, economic development and public interests that affect or may affect national security; (ii) the listing of the data processor in Hong Kong affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security.

The Cyber Data Security Draft also regulates other specific requirements in respect of the data processing activities conducted by data processors in the view of personal data protection, important data safety, data cross-broader safety management and obligations of internet platform operators. For example, in one of the following situations, data processors shall delete or anonymize personal information within 15 business days: (i) the purpose of processing personal information has been achieved or the purpose of processing is no longer needed; (ii) the storage term agreed with the users or specified in the personal information processing rules has expired; (iii) the service has been terminated or the account has been cancelled by the individual; and (iv) unnecessary personal information or personal information was collected without the consent of the individual, and was collected inevitably due to the use of automatic data collection technology.

Collection and Use of Online Personal Information

On January 23, 2019, the CAC, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Notice on Special Governance of Illegal Collection and Use of Personal Information via Apps (《關於開展App違法違規收集使用個人信息專項治理的公告》), which restates the requirement of legal collection and use of personal information, encourages app operators to conduct security certifications, and encourages search engines and app stores to clearly mark and recommend those certified apps.

On November 28, 2019, the CAC, MIIT, the Ministry of Public Security and SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (《App違法違規收集使用個人信息行為認定方法》), which came into effect on the same day and lists six types of illegal collection and usage of personal information, including "non-disclosure of collection and use rules," "failure to expressly state the purpose, method and scope of collecting and using personal information," "collection or use of personal information without the consent of users," "collection of personal information unrelated to the services they provide in violation of the principle of necessity," "provision of personal information without consent," "failure to provide the function of deleting or correcting personal information in accordance with the law" and "failure to disclose the information such as ways of filing complaints and whistleblowing reports."

On July 22, 2020, the MIIT issued the Notice of Ministry of Industry and Information Technology on Carrying out Special Rectification Actions in Depth against the Infringement upon Users' Rights and Interests by Apps (《工業和信息化部關於開展縱深推進APP侵害用戶權益專項整治行動的通知》), which lists four types of illegal collection and usage of personal information, including "illegally processing personal information of users by the App and the SDK," "setting up obstacles and frequently harassing users," "cheating and misleading users" and "inadequate implementation of application distribution platforms' responsibilities."

On March 12, 2021, the CAC, the MIIT, the Ministry of Public Security, and the SAMR jointly issued the Circular on Issuing the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (《關於印發<常見類型移動互聯網應用程序必要個人信息範圍規定>的通知》), according to which, Apps include apps pre-installed or to be downloaded and installed on a smart mobile terminal, as well as mini programs developed to connect to an open platform of a mobile app via its API that can be used without being installed by users.

In December 2011, the MIIT issued Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which provides that an internet information service provider may not collect any user's personal information or provide any such information to third parties without such user's consent. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services, internet information service providers are required to, among others, (i) expressly inform the users of the method, content and purpose of the collection and processing of such users' personal information and may only collect such information necessary for the provision of its services; and (ii) properly maintain the users' personal information, and in case of any leak or possible leak of a user's personal information, online lending service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunications regulatory authority.

Pursuant to the Decision on Strengthening the Protection of Online Information (《關於加強網絡信息保護的決定》), issued by the SCNPC in December 2012, and the Order for the Protection of Telecommunication and Internet User Personal Information (《電信和互聯網用戶個人信息保護規定》) issued by the MIIT in July 2013, any collection and use of any user's personal information must be subject to the consent of the user, and abide by the applicable law, rationality and necessity of the business and fall within the specified purposes, methods and scopes in the applicable laws. Personal information processors shall take necessary measures to ensure the security of the personal information processed, and the rights of data subjects include the right to rectification and right to erasure.

Personal Information Protection in Criminal Law

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), issued by the SCNPC on August 29, 2015 and effective on November 1, 2015, any network service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders will be subject to criminal liability for causing (i) any dissemination of illegal information in large scale; (ii) any leakage of the users' information with serious consequences; (iii) any loss of evidence of criminal activities with serious circumstances; or (iv) any other serious circumstances. In addition, any individual or entity that (i) sells or provides personal information to others unlawfully, or (ii) steals or illegally obtains any personal information, will be subject to criminal liability in serious circumstances.

On May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate released the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), or the Interpretations, which became effective on June 1, 2017. The Interpretations clarify several concepts regarding the crime of "infringement of citizens' personal information" stipulated by Article 253A of the Criminal Law of the PRC (《中華人民共和國刑法》), including "citizens' personal information," "violation of relevant national provisions," "provision of citizens' personal information" and "illegally obtaining any citizens' personal information by other methods." In addition, the Interpretations specify the standards for determining "serious circumstances" and "particularly serious circumstances" of this crime. On October 21, 2019, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the Interpretations on Certain Issues Regarding the Applicable of Law in the Handling of Criminal Case Involving Illegal Use of Information Networks and Assisting Committing Internet Crimes (《最高人民法院、最高人民檢察院關於辦理非法利用信息網絡、幫助信息網絡犯罪活動等刑事案件適用法律若干問題的解釋》), which became effective on November 1, 2019, and further clarifies the meaning of internet service operators and the serious circumstance of the relevant crimes. Failure to comply with the above laws and regulations regarding cyber security, information security, privacy and data protection may subject the internet service providers or data processors to administrative penalties including, without limitation, warnings, fines, suspension of business operation, the shutdown of websites or apps, revocation of licenses and even criminal liabilities.

REGULATIONS ON ENVIRONMENTAL PROTECTION

Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), or the Environmental Protection Law, became effective on December 26, 1989, and was most recently amended on April 24, 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the Environmental Protection Law, in addition to other applicable laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to an environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government agencies. Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced shutdown, or criminal punishment.

Laws on Environment Impact Assessment

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》), issued on October 28, 2002 and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the environmental impact registration form, or the EIRF, according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIS is not required but an EIRF shall be completed.

On November 30, 2020, the Ministry of Ecology and Environment of the PRC promulgated the Classified Administration Catalog of Environmental Impact Assessments for Construction Projects (2021 version) (《建設項目環境影響評價分類管理名錄(2021年版)》), or Classified Administration Catalog (2021 version), which became effective on January 1, 2021. According to Classified Administration Catalog (2021 version), projects fall into the certain catalogue shall be included in the management of EIA of construction projects.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated on August 23, 1982 and most recently amended on April 23, 2019, and related rules and regulations. Trademarks are registered with the Trademark Office of China National Intellectual Property Administration. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for 10 years which may be renewed for consecutive 10-year periods upon request by the trademark owner, unless otherwise revoked.

Patent Law

The Patent Law of the People's Republic of China (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, most recently amended on October 17, 2020 and effective on June 1, 2021, and its implementation rules (《中華人民共和國專利法實施細則》), which were promulgated by the China Patent Office on January 19, 1985 and most recently amended by the State Council on January 9, 2010 and effective on February 1, 2010, provide for three types of patents: "invention," "utility model" and "design." "Invention" refers to any new technical solution in relation to a product, or a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; "design" refers to a new design that is aesthetic and suitable for industrial application for the overall or partial shape, pattern or its combination of products, as well as the combination of color, shape and pattern. The validity period of patent for an "invention" is 20 years, while the validity period of patent for a "utility model" is 10 years and that of a "design" is 15 years, from the date of application.

Copyright Law

Pursuant to the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and most recently amended on November 11, 2020 and effective on June 1, 2021, Chinese citizens, legal persons or unincorporated organizations shall, whether published or not, enjoy copyright in their works in accordance with the law. Unless otherwise provided in the Copyright Law of the People's Republic of China and other related system, laws and regulations, reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, eliminate impact, and offer an apology, pay damages and other civil liabilities. In exercising the rights, copyright owners and copyright-related rights holders shall not be in violation to the Constitution and laws nor prejudice to public interests. According to the Measures for the Registration of Computer Software Copyright issued by the Ministry of Machine Building and Electronics Industry (《計算機軟件著作權登記辦法》) (currently incorporated into the Ministry of Industry and Information Technology) on April 6, 1992 and most recently amended by the National Copyright Administration on February 20, 2002 and effective on the same date, and the Regulations on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on June 4, 1991 and most recently amended on January 30, 2013 and effective on March 1, 2013, the State Copyright Administration shall be responsible for the administration of software copyright registration nationwide, and the China Copyright Protection Center is recognized as the software registration authority. Applicants of computer software copyright satisfying the requirements of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computer Software will be issued a registration certificate by the China Copyright Protection Center.

Domain Names

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), promulgated by the Ministry of Industry and Information Technology on August 24, 2017 and effective on November 1, 2017, the MIIT supervises and administers domain services nationwide. The principle of "first come, first serve" is followed for the domain name registration service. Applicants of domain name registration shall provide the domain name registration authority with true, accurate and complete information about the identity of the domain name holder for registration purpose, and sign a registration agreement with it. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/her/it.

REGULATIONS ON LABOR RIGHT AND INTERESTS

Labor Law and Labor Contracts Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, enterprises shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, and conduct employee training on labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe workplace and sanitation conditions which are in compliance with applicable laws and regulations of labor protection. The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation

Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on September 18, 2008, set out specific provisions in relation to the execution, terms and termination of a labor contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees of the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

Work Safety

Under relevant construction safety laws and regulations, including the PRC Work Safety Law (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, most recently amended on June 10, 2021, and effective on September 1, 2021, production and operating business entities must establish objectives and measures for work safety and improve the working environment and conditions for workers in a planned and systematic way. A work safety protection scheme must also be set up to implement the work safety job responsibility system. In addition, production and operating business entities must arrange work safety training and provide their employees with protective equipment that meets the national or industrial standards.

Social Insurance

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010, became effective on July 1, 2011 and most recently amended on December 29, 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and most recently amended on March 24, 2019, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. Pursuant to the Notice of the General Office of the State Council on Issuing the Plan for the Pilot Program of Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於印發<生育保險和職工基本醫療保險合併實施試點方案>的通知》) and the Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) promulgated on January 19, 2017 and March 6, 2019, maternity insurance and basic medical insurance for employees shall be consolidated. According to the Social Insurance Law of PRC, employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. For employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit, and shall impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the competent administrative department.

Housing Provident Fund

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing provident fund payment and deposit registration in the housing provident fund administrative center. For enterprises which violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fail to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

REGULATIONS ON TAX IN THE PRC

Income Tax Law

According to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated by the National People's Congress on March 16, 2007, most recently amended on December 29, 2018 and effective on the same date, and the Enterprise Income Tax Implementation Regulations (《中華人民共和國企業所得稅法實施條例》), promulgated by the State Council on December 6, 2007, most recently amended on April 23, 2019 and effective on the same date, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in China in accordance with the law, or which are set up in accordance with the law of a foreign country (region) whose actual administration institution is in China. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in China, but which have institutions or establishments in China, or have no such institutions or establishments but have income generated from inside China. Resident enterprises are subject to a uniform 25% enterprise income tax rate on their worldwide income. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC's government will enjoy a 15% preferential tax rate for Enterprise Income Tax.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, most recently amended on November 19, 2017 and effective on the same date, and the Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance on December 25, 1993 most recently amended on October 28, 2011, and effective on November 1, 2011, all entities or individuals in the PRC engaged in the sale of goods, processing services, repair and replacement services, and the provision of services, sales of intangible assets, real estate and importation of goods are required to pay value-added tax, or the VAT. Unless otherwise provided, taxpayers engaged in provision of services and sales of intangible assets are subject to a tax rate of 6%. According to the Notice on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》(財稅第36號)), promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016, effective on May 1, 2016, and amended on July 11, 2017, December 25, 2017 and March 20, 2019, with the approval of the State Council, as of May 1, 2016, the pilot program of replacing business tax with VAT shall be implemented across the country, all business tax taxpayers in the construction industry, the real estate industry, the financial industry, and the living service industry shall be included in the scope of the pilot program, and the payment of business tax shall be replaced by the payment of VAT.

REGULATIONS ON M&A AND OVERSEAS LISTING IN THE PRC

Under the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which were jointly adopted by six PRC regulatory authorities, including the CSRC, on August 8, 2006, and became effective on September 8, 2006, and most recently amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when (i) such foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/her/him, acquires a domestic company which is related to or connected with it/her/him, approval from MOFCOM is required.

On July 6, 2021, the General Office of the CPC Central Committee, or the Central Committee, and the General Office of the State Council jointly published 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 indicate that the PRC government will take measures to strengthen regulation over illegal securities activities and supervision on overseas securities offerings and listings of China-based companies.

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), or the Trial Administrative Measures, and relevant five guidelines, which became effective on March 31, 2023.

According to the Trial Administrative Measures, PRC domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and submit relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. If the issuer meets both of the following conditions, the overseas offering and listing shall be determined as an indirect overseas offering and listing by a domestic company: (i) any of the total assets, net assets, revenues or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in China or its main places of business are located in China, or the senior managers in charge of operation and management of the issuer are mostly Chinese citizens or are domiciled in China. Where a domestic company seeks to indirectly offer and list securities in an overseas market, the issuer shall designate a major domestic operating entity responsible for all filing procedures with the CSRC, and where an issuer makes an application for offering and listing in an overseas market, the issuer shall submit filings with the CSRC within three business days after such application is submitted. Failure to complete the filing under the Trial Administrative Measures may subject a PRC domestic company to rectification ordered by the CSRC, a warning and a fine of RMB1 million to RMB10 million.

Besides, PRC domestic companies seeking to overseas offering and listing shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, state-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interest and the legitimate rights and interests of domestic investors. PRC domestic companies that conducts overseas offering and listing shall (i) formulate their articles of association, improve their internal control system and standardize their corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, not divulge any state secret or the work secrets of state authorities, and also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provision of personal information and important data. In addition, the Trial Administrative Measures also provide the circumstances where the overseas offering and listing is explicitly prohibited, including: (i) such securities offering and listing are explicitly prohibited by specific PRC laws and regulations; (ii) such securities offering and listing constitute a threat to or endanger national security; (iii) the PRC domestic company, or its controlling shareholder(s) and the actual controller, has committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the PRC domestic company is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or the actual controller.

On February 24, 2023, the CSRC and other three relevant government authorities jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《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》), where a domestic enterprise provides or publicly discloses any document or material that involving state secrets and working secrets of state agencies to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, it shall report to the competent department with the examination and approval authority for approval in accordance with the law, and submit to the secrecy administration department of the same level for filing. The working papers formed within the territory of the PRC by the securities companies and securities service agencies that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

REGULATIONS ON FOREIGN EXCHANGE

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996 and was most recently amended on August 5, 2008. Pursuant to these regulations and other PRC rules and regulations on currency conversion, Renminbi is freely convertible for payments of current account items, such as trade-and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as direct investment, loan or investment in securities outside China unless prior approval of the State Administration of Foreign Exchange, or the SAFE, or its local counterpart is obtained.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), according to which, entities and individuals may apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of SAFE, may directly review the applications and conduct the registration. On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE

Circular 19. According to the SAFE Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise, and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, the SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter-enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

The Circular of Further Simplifying and Improving Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or the SAFE Circular 13, which became effective on June 1, 2015 and was amended on December 30, 2019, cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment and simplifies the procedure of foreign exchange-related registration. Pursuant to SAFE Circular 13, investors should register with banks for direct domestic investment and direct overseas investment.

The Circular on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16 was promulgated by SAFE on June 9, 2016. Pursuant to the SAFE Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. The SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC Laws, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) banks should check board resolutions regarding profit distribution, the original version of tax filing records, and audited financial statements pursuant to the principle of genuine transactions; and (ii) domestic entities should hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to this circular, domestic entities should make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts, and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, the SAFE promulgated the Notice for Further Advancing the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), which, among other things, allows all foreign invested enterprises, or FIEs, to use Renminbi converted from foreign currency denominated capital for equity investments in China, as long as the equity investment is genuine, does not violate applicable laws, and complies with the negative list on foreign investment. According to the Circular of the State Administration for Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), promulgated by the SAFE and effective on April 10, 2020, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

REGULATIONS ON FOREIGN EXCHANGE REGISTRATION OF OVERSEAS INVESTMENT BY PRC RESIDENTS

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the Circular 37, to simplify the approval process, and for the promotion of the cross-border investment. Circular 37 supersedes the Notice on Relevant Issues on the Foreign Exchange Administration of Raising Funds through Overseas Special Purpose Vehicle and Investing Back in China by Domestic Residents (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under Circular 37, (i) a resident in mainland China must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident to conduct investment or financing; and (ii) following the initial registration, PRC resident must update his or her SAFE registration when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

Under the SAFE Circular 13, the aforementioned registration shall be directly reviewed and handled by qualified banks, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

Failure to comply with the registration procedures outlined in Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who control the company from time to time are required to register with the SAFE in connection with their investments in the company. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

REGULATIONS ON STOCK INCENTIVE PLANS

On February 15, 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules. According to the Stock Option Rules, individuals participating in any stock incentive plan of any overseas publicly listed company who are Chinese citizens or foreign citizens who reside in mainland China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE or its local branches and complete certain other procedures through a domestic qualified agent, which could be a Chinese subsidiary of such overseas listed company, and complete certain other procedures. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase, and sale of corresponding stocks or interests, and fund transfers. In addition, the agent in mainland China is required to further amend the SAFE registration concerning the stock incentive plan if there is any material change to the stock incentive plan, the mainland Chinese agent or the overseas entrusted institution, or other material changes. The mainland Chinese agents must, on behalf of the mainland Chinese residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the mainland Chinese residents' exercise of the employee share options. The foreign exchange proceeds received by the mainland Chinese residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas-listed companies must be remitted into the bank accounts in mainland China opened by the mainland Chinese agents before distribution to such mainland Chinese residents. Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax concerning Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated by the SAT and effective on August 24, 2009, listed companies and their domestic organizations shall, according to the individual income tax calculation methods for "wage and salary income" and stock option income, lawfully withhold and pay individual income tax on such income.

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal regulations governing the distribution of dividends of foreign-invested enterprises include the PRC Company Law, the Foreign Investment Law and the Implementation Rules of the Foreign Investment Law. Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated after-tax profits, if any, determined following PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

CONTROLLING SHAREHOLDERS

Pursuant to the Acting-in-Concert Arrangement, Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan and their intermediate holding companies acknowledge and confirm that, at any meeting of our Group where each of them and/or the directors appointed by them is entitled to vote on corporate matters as shareholders or directors, each of them shall discuss and reach consensus on such corporate matters and act in concert, provided that, if no consensus can be reached after full discussions, they will act according to the decision of Mr. Wang. For details, see the section headed "History, Reorganization and Corporate Structure — Acting-in-Concert Arrangement" of this document.

Immediately after the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised

(i) Mr. Wang, through Modern Leaves Limited which is owned by (i) Nascent Leaves Limited, which is in turn wholly-owned by a trust established by Mr. Wang as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Ancient Leaves Limited, which is wholly owned by Mr. Wang, as to 1.0%, will be interested in and control 939,441,461 Shares;

(ii) Mr. Qi, through Chivalrous Lancers Limited which is owned by (i) Chivalrous Knights Limited, which is in turn wholly-owned by a trust established by Mr. Qi as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Chivalrous Cavalry Limited, which is wholly owned by Mr. Qi, as to 1.0%, will be interested in and control 429,999,961 Shares;

(iii) Mr. Ruan, through Cousin Tea Limited which is owned by (i) Nephew Tea Limited, which is in turn wholly-owned by a trust established by Mr. Ruan as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Uncle Tea Limited, which is wholly owned by Mr. Ruan, as to 1.0%, will be interested in and control 298,782,650 Shares;

(iv) Ms. Pan, through Spring Equinox Drinks Limited which is owned by (i) Summer Solstice Drinks Limited, which is in turn wholly-owned by a trust established by Ms. Pan as the settlor with her family members being the beneficiaries, as to 99.0%; and (ii) Winter Solstice Drinks Limited, which is wholly owned by Ms. Pan, as to 1.0%, will be interested in and control 60,036,800 Shares; and

by virtue of the Acting-in-Concert Arrangement, Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, Modern Leaves Limited, Ancient Leaves Limited, Nascent Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Chivalrous Knights Limited, Cousin Tea Limited, Uncle Tea Limited, Nephew Tea Limited, Spring Equinox Drinks Limited, Winter Solstice Drinks Limited and Summer Solstice Drinks Limited will together be interested in and control 1,728,260,872 Shares, representing approximately [**REDACTED**] of our issued Shares.

Therefore, Mr. Wang, Mr. Qi, Mr. Ruan, Ms. Pan, Modern Leaves Limited, Ancient Leaves Limited, Nascent Leaves Limited, Chivalrous Lancers Limited, Chivalrous Cavalry Limited, Chivalrous Knights Limited, Cousin Tea Limited, Uncle Tea Limited, Nephew Tea Limited, Spring Equinox Drinks Limited, Winter Solstice Drinks Limited and Summer Solstice Drinks Limited will constitute our Controlling Shareholders upon the [**REDACTED**].

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and its close associates after the [**REDACTED**].

Management Independence

Our business is managed by our Board and senior management. Upon [**REDACTED**], our Board will consist of nine Directors comprising five executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Wang, Mr. Ruan and Mr. Qi, each an executive Director, are also our Controlling Shareholders. For more information, please see the section headed "Directors and Senior Management."

Our Directors consider that our Board and senior management are capable of operating our business and managing all actual or potential conflicts of interest independently of our Controlling Shareholders and their close associates after [**REDACTED**] because:

(a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

(b) our daily management and operations are carried out by our executive Directors and the members of our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. Further, a majority of our senior management team are independent of our Controlling Shareholders;

(c) we have three independent non-executive Directors, representing one-third of the Board. The independent non-executive Directors will represent an element of independence at the board level, and certain matters of our Company must always be referred to the independent non-executive Directors for review, to protect the interests of our Company and the Shareholders as a whole;

(d) in the event that there is a material conflict of interest arising out of any transaction to be entered into between our Group and a Director or his or her respective associates, the interested Director shall abstain from voting and shall not be counted in the quorum in respect of such transactions; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see "— Corporate Governance Measures" in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role our Group independently.

Operational Independence

Our Directors believe that our Group is operationally independent from the Controlling Shareholders and their close associates. Our Company (through our subsidiaries) holds all relevant licenses. We own or are legally licensed to use all relevant intellectual properties and own facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and independent departments, each with specific areas of responsibilities. We have adopted a set of internal control procedures to maintain effective and independent operation of our business.

In addition, we have established our internal organizational and management structure which includes shareholders' meetings, our Board and other committees, and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure.

We entered into continuing connected transaction with certain associates of our Controlling Shareholders. The transactions include procurement of packaging materials and raw materials. See section headed "Connected Transactions" for more details on such continuing connected transactions. Considering that the amounts of the relevant transactions during the Track Record Period are not significant to our Group, our Directors believe that such transactions will not have any impact on the operational independence of our Group.

Financial Independence

Our financial system and financial operations are independent from our Controlling Shareholders and their close associates. Our Group makes financial decisions according to our own business needs and our Group's financial operations are handled by our finance team, without sharing any financial management functions or resources with our Controlling Shareholders or their close associates.

There was no outstanding loans or guarantees or other financial assistance provided by, or granted to, our Controlling Shareholders or their associates as of the Latest Practicable Date.

Based on the above, our Directors believe that our business is financially independent of our Controlling Shareholders and their close associates.

Competition

Our Controlling Shareholders confirm that as of the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

(a) where a Shareholders' meeting is held to consider proposed transactions in which our Controlling Shareholders or any of their associates is, under the Listing Rules, required to abstain, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted in respect of such transactions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its interim and annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;

(g) we have appointed Altus Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and

(h) we have established our audit committee, remuneration committee and nominating committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [**REDACTED**].

Pursuant to Chapter 14A of the Listing Rules, the following transactions that we enter into with our connected persons will constitute connected transactions upon the [**REDACTED**].

OUR CONNECTED PERSONS

We have entered into certain transactions in the ordinary course of our business with the following connected persons, which will constitute continuing connected transactions following the [**REDACTED**]:

Name	Connected relationship
Zhejiang Mingxing Packaging Co., Ltd. (浙江茗星包裝有限公司) ("**Zhejiang Mingxing Packaging**")	Zhejiang Mingxing Packaging is wholly-owned by Mr. Zhao Jianhua, the uncle of Mr. Wang
Zhejiang Yunqi Investment Co., Ltd. (浙江雲奇投資有限公司)("**Zhejiang Yunqi**") and its subsidiaries	Zhejiang Yunqi is owned by Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan as to 44.8%, 29.0%, 23.2% and 3.0%, respectively

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions that will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules upon [**REDACTED**]:

				Proposed annual cap for the year ending December 31,		
	Transaction	Applicable Listing Rule	Waiver sought	2024	2025	2026
					(RMB million)	
	Non-exempt continuing connected transaction					
1.	Procurement of packaging materials by our Group from Zhejiang Mingxing Packaging	Rule 14A.35 Rule 14A.36 Rule 14A.105	Announcement, independent shareholders' approval, circular	380.0	480.0	600.0

	Transaction	Applicable Listing Rule	Waiver sought	Proposed annual cap for the year ending December 31, 2024	2025	2026
					(RMB million)	
	Partially-exempt continuing connected transaction					
2.	Procurement of raw materials by our Group from Zhejiang Yunqi	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	28.0	40.0	50.0

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Procurement of packaging materials

On [●], our Company (for itself and on behalf of other members of our Group) entered into a framework agreement (the "**Packaging Material Procurement Agreement**") with Zhejiang Mingxing Packaging, pursuant to which we agreed to purchase packaging materials, including but not limited to insulated bags, plastic cups, paper cups and cup lids, from Zhejiang Mingxing Packaging after [**REDACTED**].

The initial term of the Packaging Material Procurement Agreement will commence on the [**REDACTED**] and end on December 31, 2026 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of procurements, purchase price calculation, method of payment and other details of the procurement arrangement in the manner provided in the Packaging Material Procurement Agreement.

Reasons for the transaction

Zhejiang Mingxing Packaging has been a reliable supplier of packaging materials for our Group. Through the business cooperation, Zhejiang Mingxing Packaging has acquired a comprehensive understanding of our need for packaging materials and has been continuously providing packaging materials with high quality and tailored for our need. The Directors consider that entering into the Packaging Material Procurement Agreement with Zhejiang Mingxing Packaging will enable us to secure a stable supply of high-quality packaging materials at reasonable prices.

Pricing policy

The purchase price of the packaging materials as contemplated under the Packaging Material Procurement Agreement shall be determined on an arm's length basis with reference to a variety of factors, including but not limited to the types, quality, specifications, quantities and manufacturing costs of packaging materials to be purchased and the prevailing market price of the relevant packaging materials that can be procured from independent third parties by the Group. Our Group would obtain at least three other quotations from independent third party suppliers for similar packaging materials on a regular basis to determine if the prices and terms offered by Zhejiang Mingxing Packaging are fair and reasonable and comparable to those offered by independent third parties.

The Directors consider that the transactions under the Packaging Material Procurement Agreement will be conducted on normal commercial terms and in the interests of our Company and its Shareholders as a whole.

Historical amounts, annual caps and basis of annual caps

Back in 2019, the Group commenced procurement of packaging materials from Anhui Taili Packaging Co., Ltd. (安徽省台麗包裝有限公司) ("**Anhui Taili Packaging**"), which was then controlled by Mr. Zhao Jianhua until it was sold to independent third parties in March 2023. Since May 2023, the Group commenced the procurement of packaging materials from Zhejiang Mingxing Packaging. In June 2023, as one of our five largest suppliers during the year ended December 31, 2022 experienced significant disruption in its production, our procurement of packaging materials from this supplier has significantly decreased since then, and, from June 2023, we significantly increased our procurement of packaging materials from Zhejiang Mingxing Packaging, which has been providing packaging material with high quality and tailored for our need to us at competitive prices.

For the years ended December 31, 2021 and 2022, the aggregate procurement amounts of packaging materials from Anhui Taili Packaging amounted to approximately RMB63.7 million and RMB44.0 million, respectively. For the nine months ended September 30, 2023, the aggregate procurement amounts of packaging materials from Auhui Taili Packaging and Zhejiang Mingxing Packaging amounted to approximately RMB102.1 million (such figure did not take into account the aggregate procurement amounts of packaging materials from Auhui Taili Packaging since Anhui Taili Packaging was sold to independent third parties). The aggregate procurement amounts of packaging materials from Zhejiang Mingxing Packaging for the four months from June to September 2023 amounted to approximately RMB95.4 million.

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps for the procurement of packaging materials are expected to be RMB380.0 million, RMB480.0 million and RMB600.0 million, respectively.

The annual caps were determined taking into account the following key factors:

(a) the aforesaid historical transaction amounts during the Track Record Period in relation to the procurement of packaging materials from Zhejiang Mingxing Packaging and Anhui Taili Packaging, in particular the aggregate procurement amounts of packaging materials from Zhejiang Mingxing Packaging for the four months from June to September 2023;

(b) the expected increase in our demand for packaging materials due to the potential growth of our sales volume;

(c) the expected increase in the types and specifications of packaging materials from Zhejiang Mingxing Packaging taking into account its high quality and the supply of packaging materials tailored for our need at competitive prices;

(d) the expected increase in the proportion of our Group's overall procurement of packaging materials from Zhejiang Mingxing Packaging taking into account its high quality and the supply of packaging materials tailored for our need at competitive prices; and

(e) the expected prices of packaging materials and the potential fluctuation in the prices.

Listing Rules implications

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be 5% or more, the procurement of packaging materials as contemplated under the Packaging Material Procurement Agreement will constitute continuing connected transactions of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules and the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Procurement of raw materials

On [●], our Company (for itself and on behalf of other members of our Group) entered into a framework agreement (the "**Raw Materials Procurement Agreement**") with Zhejiang Yunqi, pursuant to which we will procure raw materials such as Taiwan citrus lemons from the subsidiaries of Zhejiang Yunqi, including Yunnan Houan Agricultural Development Co., Ltd. (雲南後岸農業發展有限公司) and Yunnan Qining Agricultural Development Co., Ltd. (雲南奇檸農業發展有限公司), after [**REDACTED**].

The initial term of the Raw Materials Procurement Agreement will commence on the [**REDACTED**] and end on December 31, 2026 (both days inclusive). Separate underlying agreements will be entered into which will set out the precise scope of procurements, purchase price calculation, method of payment and other details of the procurement arrangement in the manner provided in the Raw Materials Procurement Agreement.

Reasons for the transaction

The subsidiaries of Zhejiang Yunqi primarily engage in the business of supplying Taiwan citrus lemons. They have been a stable and reliable supplier of raw materials such as Taiwan citrus lemons for our Group since 2020. The stable business cooperation with the subsidiaries of Zhejiang Yunqi provides us with access to fresh and high-quality raw materials at reasonable prices.

Pricing policy

The purchase price of the raw materials as contemplated under the Raw Materials Procurement Agreement shall be determined on an arm's length basis with reference to a variety of factors, including but not limited to the types, quality, quantities of raw materials to be purchased and the prevailing market prices of the relevant raw materials that can be procured from independent third parties by the Group. Our Group would obtain at least three other quotations from independent third-party suppliers for similar raw materials on a regular basis to determine if the prices and terms offered by the subsidiaries of Zhejiang Yunqi are fair and reasonable and comparable to those offered by independent third parties.

The Directors consider that the transactions under the Raw Materials Procurement Agreement will be conducted on normal commercial terms and in the interests of our Company and its Shareholders as a whole.

Historical amounts, annual caps and basis of annual caps

For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, the aggregate procurement amounts of raw materials from the subsidiaries of Zhejiang Yunqi amounted to approximately RMB5.0 million, RMB18.1 million and RMB12.4 million, respectively.

For the years ending December 31, 2024, 2025 and 2026, the relevant annual caps for the procurement of raw materials are expected to be RMB28.0 million, RMB40.0 million and RMB50.0 million, respectively.

The annual caps were determined taking into account the following key factors:

(a) the aforesaid historical transaction amounts during the Track Record Period in relation to the procurement of raw materials from the subsidiaries of Zhejiang Yunqi;

(b) the expected increase in our demand for raw materials due to the potential growth of our sales volume;

(c) the expected increase in the proportion of our Group's overall procurement of raw materials from the subsidiaries of Zhejiang Yunqi taking into account its high quality and the supply of raw materials which were suitable for our need at competitive prices; and

(d) the expected prices of raw materials and the potential fluctuation in the prices.

Listing Rules implications

Since the highest of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be 0.1% or more but less than 5%, pursuant to Rule 14A.76(2) of the Listing Rules, the procurement of raw materials as contemplated under the Raw Materials Procurement Agreement will be exempt from the circular (including the opinion and recommendation from an independent financial advisor) and the independent shareholders' approval requirements, but are subject to the announcement requirements under Rule 14A.35 of the Listing Rules and the annual reporting requirements under Rules 14A.49, 14A.71 and 14A.72 of the Listing Rules.

INTERNAL CONTROL PROCEDURES ADOPTED BY THE COMPANY IN RESPECT OF THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTION FRAMEWORK AGREEMENTS

In order to ensure the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable and are carried out on normal commercial terms, the Company has adopted the following internal control procedures:

- The Company has adopted and implemented a comprehensive management system on connected transactions for supervision, management and approval of the Company's connected transactions in accordance with relevant requirement of the Listing Rules;

- The independent non-executive Directors will review the non-fully exempt connected transactions annually to ensure that the agreements have been entered into on normal commercial terms, on terms that are fair and reasonable and carried out in accordance with the terms of the framework agreements set out above. The auditor of the Company will also review annually the pricing policies and annual caps of such agreements; and

- The pricing of the connected transactions should be no less favorable to us compared with the prices provided by independent third parties. For prices of similar products and raw materials provided by independent third parties, we will conduct price enquiries and comparison on the market to ensure that pricings of relevant connected transactions are no less favorable than prices provided by independent third parties.

WAIVERS

In respect of the transactions as contemplated under the Packaging Material Procurement Agreement as described above, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the announcement, circular and independent Shareholders' approval requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

In respect of the transactions as contemplated under the Raw Materials Procurement Agreement as described above, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

DIRECTORS' CONFIRMATION

Our Directors (including independent non-executive Directors) are of the view that: (i) the continuing connected transactions set out above have been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; and (ii) the proposed annual caps of the continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

JOINT SPONSORS' CONFIRMATION

Based on the documentation, information and data (including historical transaction amounts) provided by the Company and participation in the due diligence and discussion with the Company, the Joint Sponsors are of the view that: (i) the aforesaid continuing connected transactions for which a waiver has been sought have been and will be entered into in the Company's ordinary and usual course of business on normal commercial terms or better, that are fair and reasonable, and are in the interests of the Company and its Shareholders as a whole; and (ii) the proposed annual caps of the continuing connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DIRECTORS

Our Board consists of nine Directors, including five executive Directors, one non-executive Director, and three independent non-executive Directors. The following table sets forth certain information about the Directors.

Name	Age	Position	Date of Joining our Group	Date of Appointment as a Director	Major Responsibilities
Mr. Yun'an Wang (王雲安先生)	37	Founder, Chairman of the Board, Executive Director and Chief Executive Officer	June 12, 2018	August 31, 2021	Overseeing strategic and business direction and overall management of our Group
Mr. Xia Qi (戚俠先生)	37	Executive Director and President	June 12, 2018	May 18, 2022	Overseeing business development and franchisee management
Mr. Xiudi Ruan (阮修迪先生)	37	Executive Director	June 12, 2018	December 28, 2023	Product research and development
Ms. Yayu Jin (金雅玉女士)	34	Executive Director	June 12, 2018	December 28, 2023	Corporate culture development
Mr. Yunjiang Cai (蔡雲江先生)	39	Executive Director	June 12, 2018	December 28, 2023	Business development and franchisee management
Mr. Yaoxin Huang (黃垚鑫先生)	36	Non-executive Director	June 29, 2020	May 18, 2022	Providing advice and making recommendations to the Board
Mr. Wei Jye Jacky Lo (羅偉杰先生)	46	Independent Non-Executive Director	**[REDACTED]**	**[REDACTED]**	Providing independent opinion and judgment to the Board
Ms. Xiaodong Zheng (鄭曉冬女士)	67	Independent Non-Executive Director	**[REDACTED]**	**[REDACTED]**	Providing independent opinion and judgment to the Board
Mr. Jianbo Li (李建波先生)	53	Independent Non-Executive Director	**[REDACTED]**	**[REDACTED]**	Providing independent opinion and judgment to the Board

Save as disclosed below, none of our Directors had held any directorships in listed companies during the three years immediately prior to the Latest Practicable Date, and none of our Directors and members of senior management are related to other Directors or members of senior management.

Executive Directors

Mr. Yun'an Wang (王雲安先生), aged 37, is the founder, chairman of the Board, executive Director and chief executive officer of our Company.

Mr. Wang opened the first "*Good me*" store in 2010. Since then, he has been responsible for setting the strategies, directions and goals of the "*Good me*" brand for over a decade. Mr. Wang has acutely observed the changes and opportunities in the freshly-made beverage industry, and led us to maintain our industry-leading position as the industry continuously evolves. He has been serving as the chief executive officer of Guming Technology since its establishment in 2018. Mr. Wang received a bachelor's degree in material science and engineering from Keyi College of Zhejiang Sci-Tech University (浙江理工大學科技與藝術學院) in June 2010.

Mr. Xia Qi (戚俠先生), aged 37, is an executive Director and the president of our Company, and oversees business development and franchisee management of our Group. Mr. Qi has worked with Mr. Wang since the early days of the "*Good me*" brand and was instrumental to its growth. Mr. Qi was one of the initial shareholders of Guming Technology when it was established and has worked with Guming Technology since its establishment in June 2018. Mr. Qi received a bachelor's degree in electronics information science and technology from Keyi College of Zhejiang Sci-Tech University (浙江理工大學科技與藝術學院) in June 2010.

Mr. Xiudi Ruan (阮修迪先生), aged 37, is an executive Director of our Company, and focuses on our Group's product research and development. Mr. Ruan co-founded the "*Good me*" brand, and was instrumental to its growth. Mr. Ruan was one of the initial shareholders of Guming Technology when it was established and has been serving as a supervisor of Guming Technology since May 2020. Mr. Ruan graduated from Hangzhou Vocational and Technical College (杭州職業技術學院) with a major in mold design and manufacturing in June 2009.

Ms. Yayu Jin (金雅玉女士), aged 34, is an executive Director of our Company, and focuses on our Group's corporate culture development. Ms. Jin has worked with Mr. Wang since the early days of the "*Good me*" brand. She has served in multiple departments within our Group and was instrumental to the formation of our corporate culture. Ms. Jin graduated from Zhejiang Changzheng Vocational and Technical College (浙江長征職業技術學院) with a major in office administration in June 2011.

Mr. Yunjiang Cai (蔡雲江先生) (with former name as Yunjiang Cai (蔡雲姜)), aged 39, is an executive Director of our Company, and focuses on our Group's business development and franchisee management. Mr. Cai has over a decade of experience in business development, has worked with Mr. Wang since the early days of the "*Good me*" brand, and was instrumental to its growth. Mr. Cai has been serving as the head of business development of Guming Technology since June 2018. Mr. Cai graduated from Huainan Normal University (淮南師範學院) with a major in digital commerce in July 2009.

Non-Executive Director

Mr. Yaoxin Huang (黃垚鑫先生), aged 36, is a non-executive Director of our Company. Mr. Huang was appointed as our Director on May 18, 2022. Mr. Huang joined Ningbo Meishan Bonded Port Area Meixing Private Equity Fund Management Co. Ltd. (寧波梅山保稅港區美興私募基金管理有限公司) in May 2018 and currently serves as a managing director. Prior to that, Mr. Huang worked at China International Capital Corporation (HKEX: 3908; SSE: 601995), including most recently as an executive director. Mr. Huang received a master's degree in finance from Renmin University of China in June 2012 and a bachelor's degree in financial engineering from Xiamen University in July 2009.

Independent Non-executive Directors

Mr. Wei Jye Jacky Lo (羅偉杰先生), aged 46, was appointed as an independent non-executive Director of our Company taking effect on the [**REDACTED**]. Mr. Lo has been serving as a director and the group chief financial officer of PT GoTo Gojek Tokopedia Tbk (IDX: GOTO), or GoTo, a leading Indonesian technology company primarily engaged in providing on-demand transport, e-commerce, food and grocery delivery, logistics and fulfillment and financial technology services, since June 2021. Prior to joining GoTo, Mr. Lo was the chief financial officer of OneConnect Financial Technology Co., Ltd. (NYSE: OCFT; HKEX: 6638), or OneConnect, a leading technology-as-a-service platform for financial institutions in China, from October 2019 to April 2021. Prior to OneConnect, Mr. Lo held various finance leadership positions with Yum China Holdings, Inc. (NYSE: YUMC; HKEX: 9987), one of the largest restaurant companies in China, from August 2016 to October 2019, with his last position as the chief financial officer and treasurer from June 2017 to October 2019. Earlier in his career, Mr. Lo worked with Ernst & Young for 15 years from May 2001 to August 2016, including as a partner in its Asia Pacific Capital Markets Center.

Mr. Lo received from the University of Texas at Austin a master's degree in professional accounting, and both a bachelor's degree in business administration with honors and a bachelor of arts degree in economics with honors in May 1999. Mr. Lo became a member of the Hong Kong Institute of Certified Public Accountants in July 2003, a member of the American Institute of Certified Public Accountants in March 2003, and a certified public accountant in Texas in January 2001.

Ms. Xiaodong Zheng (鄭曉冬女士), aged 67, was appointed as an independent non-executive Director of our Company taking effect on the [**REDACTED**]. Ms. Zheng was appointed as the head of the Food Biological Science and Technology Research Center at Zhejiang University (浙江大學食品生物科學技術研究所) in January 2013. Prior to that, Ms. Zheng was appointed as the head of the Institute of Food Science at Zhejiang University (浙江大學食品科學研究所) in April 2006.

Ms. Zheng became a Qiushi Distinguished Professor (求是特聘教授) of Zhejiang University in January 2011 and a professor of Zhejiang University in December 2000. Ms. Zheng became a Doctoral supervisor at Zhejiang University in January 2002, a recipient of special grants by the State Council of the PRC (國務院政府特殊津貼) in March 2011, and was recognized as an expert on the Agricultural Product Quality and Safety Expert Committee of the Agriculture Department of the PRC (農業部農產品質量安全專家組) in August 2011. Ms. Zheng received a master's degree in agronomy from Zhejiang Agricultural University (浙江農業大學) in July 1996 and a bachelor's degree in biology from Harbin Normal University (哈爾濱師範大學) in February 1982.

Mr. Jianbo Li (李建波先生), aged 53, was appointed as an independent non-executive Director of our Company taking effect on the [**REDACTED**]. Mr. Li has been serving as a non-executive director of Plus Group Holdings Inc. (HKEX: 2486) since July 2022. Mr. Li has also been serving as the chief executive officer of Yonghui Fresh Food Development Co., Ltd. (永輝彩食鮮發展有限公司) since February 2020. Prior to that, in November 2016, Mr. Li founded Guangzhou Yoorstore Technology Co., Ltd. (廣州優思得科技有限公司) where he served as its director until January 2020. From March 2011 to April 2016, Mr. Li served as an executive vice president and subsequently the president of Yonghui Superstores Co., Ltd. (永輝超市股份有限公司) (SSE: 601933). From April 1999 to January 2011, he served as a director and partner at IBM (China) Co., Limited Guangzhou Branch (國際商業機器(中國)有限公司廣州分公司). From July 1995 to March 1999, he worked at the product supply department of Procter & Gamble (Guangzhou) Ltd. (廣州寶潔有限公司).

Mr. Li received a master's degree in management science from University of Science and Technology of China (中國科學技術大學) in June 1995 and a bachelor's degree in management science from the same university in July 1993.

SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company:

Name	Age	Position	Date of Joining the Group	Date of Appointment as Senior Management	Major Responsibilities
Mr. Yun'an Wang (王雲安先生)	37	Founder, Chairman of the Board, Executive Director and Chief Executive Officer	June 12, 2018	June 12, 2018	Overseeing strategic and business direction and overall management of our Group
Mr. Xia Qi (戚俠先生)	37	Executive Director and President	June 12, 2018	December 28, 2023	Overseeing business development and franchisee management of our Group
Mr. Jifeng Li (李繼鋒先生)	45	Chief Operating Officer	August 29, 2020	August 29, 2020	Overseeing business operations of our Group
Mr. Hailing Meng (孟海陵先生)	40	Chief Financial Officer	June 17, 2020	June 17, 2020	Overseeing capital operations and finance of our Group
Mr. Yu Qiang (強宇先生)	42	Chief Technology Officer	May 20, 2023	May 20, 2023	Overseeing technologies of our Group

Mr. Yun'an Wang (王雲安先生), aged 37, is the founder, chairman of the Board, executive Director and chief executive officer of our Company. For further details, please see the paragraphs headed "— Executive Directors" in this section.

Mr. Xia Qi (戚俠先生), aged 37, is an executive Director and the president of our Company. For further details, please see the paragraphs headed "— Executive Directors" in this section.

Mr. Jifeng Li (李繼鋒先生), aged 45, is the chief operating officer of our Company. Mr. Li has been serving as our chief operating officer since March 2022 and served as our chief technology officer from August 2020 to March 2022. Prior to joining our Group, Mr. Li served as the chief technology officer of Lvyue Group (旅悅集團) from January to August 2020 and the vice president of products at Blibee Trading Co., Ltd. (便利蜂商貿有限公司) from April 2017 to January 2020. Prior to that, Mr. Li worked at Beijing Qunar Software Technology Co., Ltd. (北京趣拿軟件科技有限公司), a subsidiary of Qunar Cayman Islands Limited, most recently as the chief executive officer of the hospitalities business unit from March 2012 to April 2017. Mr. Li received a master's degree in computer software and theories from the Institute of Computing Technology at the Chinese Academy of Sciences (中國科學院計算技術研究所) in August 2003, and both a bachelor's degree in computer science and a bachelor of art degree in Chinese language and literature from Tsinghua University in July 2000.

Mr. Hailing Meng (孟海陵先生), aged 40, is the chief financial officer of our Company. Prior to joining our Group in June 2020, Mr. Meng was the head of research at Zebra Global Capital between June 2016 and June 2020. Prior to joining Zebra Global Capital, Mr. Meng covered China's internet stocks as an equity research analyst for investment banks. He was an executive director at Goldman Sachs (Asia) L.L.C. from July 2015 to June 2016, a vice president at Morgan Stanley Asia Limited from June 2014 to July 2015, and a senior associate at Macquarie Capital Securities Limited from July 2012 to June 2014. Prior to that, Mr. Meng worked for iQiyi Inc. (NASDAQ: IQ) as a manager of strategic cooperation and investor relations from August 2011 to July 2012. Mr. Meng started his career as a consultant with Deloitte's Enterprise Risk Services (ERS) department in Hong Kong in September 2007. He received a master's degree in electrical and electronic engineering from the Hong Kong University of Science and Technology (HKUST) in November 2007 and a bachelor's degree in information engineering from Southeast University (東南大學) in June 2005.

Mr. Meng became a certified public accountant of the Chinese Institute of Certified Public Accountants (CICPA) in March 2015 and a charted financial analyst (CFA) charterholder in May 2013. Mr. Meng also completed the CPA Qualification Programme of the Hong Kong Institute of Certified Public Accountants (HKICPA) and passed the professional examination for membership admission under the Professional Accountants Ordinance of Hong Kong in September 2009. He earned the highest score in the Asia geographical region on the June 2009 CISA (Certified Information Systems Auditor) examination by the Information Systems Audit and Control Association (ISACA).

Mr. Yu Qiang (強宇先生), aged 42, is the chief technology officer of our Company. Prior to joining our Group in May 2023, Mr. Qiang served as the vice general manager of Lepu Medical Technology (SZSE: 300003; SIX: LEPU) from December 2020 to May 2023. Prior to that, Mr. Qiang served as the chief technology officer of Luckin Coffee (Beijing) Co., Ltd. (瑞幸咖啡(北京)有限公司), first joining the company in October 2017. Prior to that, Mr. Qiang worked for over a decade at China Auto Renting Inc. (北京神州汽車租賃有限公司), most recently as its chief technology officer. Mr. Qiang received a bachelor's degree in applied chemistry from Beijing University of Technology (北京工業大學) in July 2003.

JOINT COMPANY SECRETARIES

Mr. Saibin Wang (王賽斌先生), aged 32, is one of our joint company secretaries. Mr. Wang has been serving as a senior finance manager of our Company since May 2022. Prior to joining us, Mr. Wang served as a finance BP (business partner) of Hangzhou Kuaidi Technology Co., Ltd. (杭州快迪科技有限公司) from July 2021 to May 2022, a finance manager of Hangzhou Duiba Internet Technology Co., Ltd. (杭州兑吧網路科技有限公司) from April 2018 to July 2021 and a joint company secretary of its parent company, Duiba Group Ltd. (HKEX: 1753), from August 2018 to June 2021. Prior to that, Mr. Wang was a senior auditor of Ernst & Young from October 2014 to April 2018. Mr. Wang became a certified public accountant of the Chinese Institute of Certified Public Accountants (CICPA) in January 2021. Mr. Wang received a bachelor's degree in accounting from Zhejiang University of Finance and Economics (浙江財經大學) in June 2014.

Ms. Ying Man Sham (岑影文女士), is one of our joint company secretaries. Ms. Sham is a manager of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. She has over 25 years of experience in the corporate secretarial field. Ms. Sham currently holds company secretary/joint company secretary positions in other companies listed on the Stock Exchange, including Hilong Holding Limited (HKEX: 1623), Honma Golf Limited (HKEX: 6858), WuXi Biologics (Cayman) Inc. (HKEX: 2269) and DreamEast Group Limited (HKEX: 593). Ms. Sham obtained a bachelor degree in business administration from Lingnan College (now known as Lingnan University). She is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, respectively.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

Audit committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of our Group and provide advice and recommendations to the Board. The audit committee comprises three members, namely, Mr. Wei Jye Jacky Lo, Mr. Jianbo Li and Mr. Yaoxin Huang, with Mr. Wei Jye Jacky Lo as the chairperson of the audit committee. Mr. Wei Jye Jacky Lo is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee comprises three members, namely Mr. Jianbo Li, Mr. Yun'an Wang and Mr. Wei Jye Jacky Lo, with Mr. Jianbo Li as the chairperson of the remuneration committee.

Nomination committee

We have established a nomination committee with written terms of reference in compliance with Rule 3.27A and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee comprises three members, namely Mr. Yun'an Wang, Ms. Xiaodong Zheng and Mr. Jianbo Li, with Mr. Yun'an Wang as the chairperson of the nomination committee.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules save for the below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman of the Board and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman of the Board and chief executive officer and Mr. Wang currently performs these two roles. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of our Company if and when it is appropriate taking into account the circumstances of the Group as a whole. For further information relating to our Company's corporate governance measures, please see the section headed "Relationship with our Controlling Shareholders — Corporate Governance Measures."

Board Diversity

Our Company [has adopted] a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain, and motivate employees from the widest possible pool of available talent. Currently, two of our Directors are female. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a Director of our Company, the nomination committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

Management Presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Our Group's management headquarters, senior management, business operations and assets are primarily based outside Hong Kong, in mainland China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. Accordingly, we have applied for and the Stock Exchange [has granted], a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, see "Waivers — Management presence in Hong Kong."

REMUNERATION

Our Directors receive remuneration, including salaries and allowance, performance-related bonuses, pension scheme contributions and social welfare, equity-settled share-based payments, and other benefits in kind.

The aggregate amount of remuneration for our Directors in 2021, 2022 and for the nine months ended September 30, 2023 was approximately RMB6.1 million, RMB7.3 million and RMB6.8 million, respectively. None of our Directors waived any remuneration during the aforesaid periods.

The five highest paid individuals of our Group in 2021, 2022 and for the nine months ended September 30, 2023 included one, one and one Director, respectively. The aggregate amount of remuneration for the five highest paid individuals, excluding the one Director, in 2021, 2022 and for the nine months ended September 30, 2023 were approximately RMB8.8 million, RMB9.9 million and RMB10.1 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of 2021, 2022 and for the nine months ended September 30, 2023 by our Company to our Directors. For the year ended December 31, 2023, we expect to pay approximately RMB11.0 million in aggregate remuneration to our Directors.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our Compliance Adviser pursuant to Rules 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Adviser will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document;

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules;

The term of appointment of the Compliance Adviser shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

COMPETITION

Each of the Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which materially competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting rights of our Company:

Substantial shareholders of our Company

Name of substantial shareholders	Capacity/Nature of Interest	Number of Shares[1]	Approximate percentage of shareholding in our Company as at the Latest Practicable Date	Approximate percentage of shareholding in our Company after the [REDACTED][1]
Mr. Wang[2 and 3] . . .	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872	79.50%	[**REDACTED**]
Mr. Qi[2 and 4].	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872	79.50%	[**REDACTED**]
Mr. Ruan[2 and 5]. . . .	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872	79.50%	[**REDACTED**]
Ms. Pan[2 and 6]	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872	79.50%	[**REDACTED**]
Mr. Yonghua Zhu[7] .	Interest in controlled corporations	173,913,040	8.00%	[**REDACTED**]

Notes:

(1) The table assumes (i) the [**REDACTED**] becomes unconditional and the [**REDACTED**] are issued pursuant to the [**REDACTED**], and (ii) the [**REDACTED**] is not exercised.

(2) Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan and their respective intermediate holding companies entered into the Acting-in-Concert Arrangement, details of which are set out in the section headed "History, Reorganization and Corporate Structure — Acting-in-Concert Arrangement" of this document.

(3) Shares in which Mr. Wang is interested consist of (i) 939,441,461 Shares held by Modern Leaves Limited, in which Mr. Wang is deemed to be interested under the SFO; and (ii) an aggregate of 788,819,411 Shares in which Mr. Wang is deemed to be interested as a result of being a party acting in concert pursuant to the Acting-in-Concert Arrangement.

Modern Leaves Limited is owned by (i) Nascent Leaves Limited, which is in turn wholly-owned by a trust established by Mr. Wang as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Ancient Leaves Limited, which is wholly owned by Mr. Wang, as to 1.0%. Under the SFO, each of Mr. Wang, Modern Leaves Limited, Nascent Leaves Limited and Ancient Leaves Limited is deemed to be interested in the aggregate of 1,728,260,872 Shares held by the parties to the Acting-in-Concert Arrangement.

(4) Shares in which Mr. Qi is interested consist of (i) 429,999,961 Shares held by Chivalrous Lancers Limited, in which Mr. Qi is deemed to be interested under the SFO; and (ii) an aggregate of 1,298,260,911 Shares in which Mr. Qi is deemed to be interested as a result of being a party acting in concert pursuant to the Acting-in-Concert Arrangement.

Chivalrous Lancers Limited is owned by (i) Chivalrous Knights Limited, which is in turn wholly-owned by a trust established by Mr. Qi as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Chivalrous Cavalry Limited, which is wholly owned by Mr. Qi, as to 1.0%. Under the SFO, each of Mr. Qi, Chivalrous Lancers Limited, Chivalrous Knights Limited and Chivalrous Cavalry Limited is deemed to be interested in the aggregate of 1,728,260,872 Shares held by the parties to the Acting-in-Concert Arrangement.

(5) Shares in which Mr. Ruan is interested consist of (i) 298,782,650 Shares held by Cousin Tea Limited, in which Mr. Ruan is deemed to be interested under the SFO; and (ii) an aggregate of 1,429,478,222 Shares in which Mr. Ruan is deemed to be interested as a result of being a party acting in concert pursuant to the Acting-in-Concert Arrangement.

Cousin Tea Limited is owned by (i) Nephew Tea Limited, which is in turn wholly-owned by a trust established by Mr. Ruan as the settlor with his family members being the beneficiaries, as to 99.0%; and (ii) Uncle Tea Limited, which is wholly owned by Mr. Ruan, as to 1.0%. Under the SFO, each of Mr. Ruan, Cousin Tea Limited, Nephew Tea Limited and Uncle Tea Limited is deemed to be interested in the aggregate of 1,728,260,872 Shares held by the parties to the Acting-in-Concert Arrangement.

(6) Shares in which Ms. Pan is interested consist of (i) 60,036,800 Shares held by Spring Equinox Drinks Limited, in which Ms. Pan is deemed to be interested under the SFO; and (ii) an aggregate of 1,668,224,072 Shares in which Ms. Pan is deemed to be interested as a result of being a party acting in concert pursuant to the Acting-in-Concert Arrangement.

Spring Equinox Drinks Limited is owned by (i) Summer Solstice Drinks Limited, which is in turn wholly-owned by a trust established by Ms. Pan as the settlor with her family members being the beneficiaries, as to 99.0%; and (ii) Winter Solstice Drinks Limited, which is wholly owned by Ms. Pan, as to 1.0%. Under the SFO, each of Ms. Pan, Spring Equinox Drinks Limited, Summer Solstice Drinks Limited and Winter Solstice Drinks Limited is deemed to be interested in the aggregate of 1,728,260,872 Shares held by the parties to the Acting-in-Concert Arrangement.

(7) Each of Beijing Meiming Enterprise Management Consulting Partnership (Limited Partnership) (北京美茗企業管理諮詢合夥企業(有限合夥)) ("**Meiming**"), which directly holds 94,493,060 Shares, and Beijing Meiyan Enterprise Management Consulting Partnership (Limited Partnership) (北京美岩企業管理諮詢合夥企業(有限合夥)) ("**Meiyan**"), which directly holds 79,419,980 Shares, is a Pre-[**REDACTED**] Investor. Ningbo Meishan Bonded Port Area Meixing Private Equity Fund Management Co., Ltd. (寧波梅山保稅港區美興私募基金管理有限公司) ("**Ningbo Meixing**") is the general partner of Meiming, and Shenzhen Meizhu Enterprise Management Co., Ltd. (深圳市美珠企業管理有限責任公司) ("**Shenzhen Meizhu**") is the general partner of Meiyan. Shenzhen Meizhu is wholly-owned by Ningbo Meixing, which is in turn controlled by Mr. Yonghua Zhu (朱擁華). Under the SFO, each of Ningbo Meixing and Mr. Yonghua Zhu is deemed to be interested in the aggregate of 173,913,040 Shares held by Meiming and Meiyan.

For the persons who will be, directly or indirectly, interested in 10% of more of the issued voting shares of the other members of our Group immediately following the completion of the [**REDACTED**], see the section headed "Appendix IV — Statutory and General Information" of this document.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have any interest and/or short positions in our Shares or underlying Shares which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized share capital and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised:

Share capital as at the date of this document

Authorized share capital

Number	Description of share	Aggregate nominal value
4,713,043,460	Ordinary Share with a par value of US$0.00001	US$47,130.43
286,956,540	Preferred Share with a par value of US$0.00001	US$2,869.57
5,000,000,000	**Shares in total**	**US$50,000.00**

Issued share capital

Number	Description of share	Aggregate nominal value
1,886,956,520	Ordinary Share with a par value of US$0.00001	US$18,869.57
286,956,540	Preferred Share with a par value of US$0.00001	US$2,869.57
2,173,913,060	**Shares in total**	**US$21,739.13**

Share capital immediately following the completion of the [REDACTED]

Authorized share capital

Number	Description of share	Aggregate nominal value
5,000,000,000	Ordinary Share with a par value of US$0.00001	US$50,000.00
5,000,000,000	**Shares in total**	**US$50,000.00**

Issued share capital

Number	Description of share	Aggregate nominal value
2,173,913,060	Shares in issue	US$21,739.13
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	**Shares in total**	[**REDACTED**]

Ranking

The [**REDACTED**] rank equally with all Shares currently in issue or to be issued as mentioned in this document and, in particular, will rank *pari passu* for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

POTENTIAL CHANGES TO SHARE CAPITAL AFTER [REDACTED]

Circumstances under which general meeting and class meeting are required

Our Company may by ordinary resolution (i) increase its share capital by the creation of new shares; (ii) consolidate or divide all or any of its share capital into shares of a larger or smaller amount than its existing shares; (iii) divide its shares into several classes; (iv) sub-divide its shares or any of them into shares of smaller amount; (v) cancel any shares, which at the date of the passing of the resolution, have not been taken or agreed to be taken by any person; (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and (vii) change the currency of denomination of its share capital. In addition, our Company may by special resolution reduce its share capital or any capital redemption reserve subject to any conditions prescribed by the Cayman Companies Act.

See "Summary of the Constitution of Our Company and Company Laws of the Cayman Islands — Articles of Association — Shares — Alteration of capital" in Appendix III for further details.

If at any time the share capital of our Company is divided into different classes of shares, all or any of the rights attached to any class of shares (unless otherwise provided for by the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act, be varied or abrogated either with (in addition to a special resolution to amend the Memorandum or the Articles) the consent in writing of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares.

See "Summary of the Constitution of Our Company and Company Laws of the Cayman Islands — Articles of Association — Shares — Variation of rights of existing shares or classes of shares" in Appendix III for further details.

General mandate to issue Shares

Subject to the [**REDACTED**] becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the shares to be issued under the Post-[**REDACTED**] Share Scheme); and

- the total number of Shares repurchased by our Company pursuant to the authority referred to in "— General mandate to repurchase Shares" below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by resolution of members passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

- the passing of resolution of members by our Shareholders in a general meeting revoking or varying the authority.

General mandate to repurchase Shares

Subject to the [**REDACTED**] becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**] and excluding the share to be issued under the Post-[**REDACTED**] Share Scheme).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by resolution of members passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the memorandum and the articles of association of our Company; and

- the passing of resolution of members by our Shareholders in a general meeting revoking or varying the authority.

See "Statutory and General Information — Further Information About Our Group — Explanatory Statement on Repurchase of Our Own Securities" in Appendix IV for further details of this general mandate to repurchase Shares.

SHARE INCENTIVE PLAN

We [have adopted] the Post-[**REDACTED**] Share Scheme. See "Statutory and General Information — Post-[**REDACTED**] Share Scheme" in Appendix IV for further details.

You should read the following discussion and analysis in conjunction with our consolidated financial information and the related notes thereto included in the Accountants' Report in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth under "Risk Factors" and elsewhere in this document. For further details, see "Forward-Looking Statements."

For the purposes of this section, unless the context otherwise requires, references to 2021 and 2022 refer to our financial years ended December 31 of such years.

OVERVIEW

We are a leading and fast-growing freshly-made beverage company in China, dedicated to serving fresh, tasty and value-for-money beverages of consistently high quality. Our brand, "*Good me* (古茗)," is China's largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges, in terms of both GMV in 2023 and store count as of December 31, 2023, according to the CIC Report. In 2023, we generated a GMV of RMB19.2 billion, representing an increase of 37.2% from 2022. Our store network encompassed 9,001 stores as of December 31, 2023, representing an increase of 35.0% from December 31, 2022, making us one of the top five freshly-made beverage brands globally in terms of store count as of December 31, 2023.

We generate revenue mainly from the sales of goods and equipment and the provision of services to our franchisees. We have experienced substantial growth during the Track Record Period. Our revenue increased by 26.8% from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022, and increased by 33.9% from RMB4,161.7 million for the nine months ended September 30, 2022 to RMB5,570.9 million for the same period in 2023. Our profit for the year/period was RMB24.0 million and RMB372.0 million in 2021 and 2022, respectively, and RMB275.5 million and RMB1,002.0 million for the nine months ended September 30, 2022 and 2023, respectively. Our adjusted profit (non-IFRS measure) was RMB769.6 million and RMB788.1 million in 2021 and 2022, respectively, and RMB603.2 million and RMB1,044.5 million for the nine months ended September 30, 2022 and 2023, respectively. For more details, see " — Description of Major Components of Our Results of Operations — Non-IFRS Measures."

BASIS OF PREPARATION AND PRESENTATION

Pursuant to the Reorganization, our Company became the holding company of the companies that now comprise our Group in May 2022. See the section headed "History, Reorganization and Corporate Structure" in this document for more details. As the Reorganization only involved the addition of new holding companies above the existing group without changing the economic substance, our historical financial information during the Track Record Period is presented as a continuation of the existing group as if the Reorganization had been completed at the beginning of the Track Record Period.

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board. All IFRSs effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, were early adopted by our Group in the preparation of the historical financial information throughout the Track Record Period. The historical financial information has been prepared under the historical cost convention, except for equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, and financial liabilities at fair value through profit or loss, which were measured at fair value.

The preparation of the historical financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to make judgements, estimates and assumptions when applying our Group's accounting policies. Management's judgements made in the application of IFRSs, which have had a significant effect on the historical financial information and major sources of estimation uncertainty, are discussed in note 3 to the Accountants' Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business and results of operations are influenced by various general factors that affect the overall consumption and market for freshly-made beverages. These factors include, among others, overall economic and industry trends, their impact on consumer behavior, per capita disposable income, changes in consumers' taste, food safety and health awareness, procurement costs, and the competitive landscape. Unfavorable changes in these general conditions could materially and adversely affect our results of operations.

While our business is influenced by these general factors, we believe that the following specific factors have a more direct impact on our results of operations:

Ability to Maintain and Increase the Appeal of Our Product Offerings

Our results of operations have been, and will continue to be, influenced by consumer tastes and demands for freshly-made beverages. Maintaining consistently high quality in our freshly-made beverages is pivotal for consumer trust and loyalty, which, in turn, leads to increasing purchases and drives up sales.

Furthermore, our ability to introduce and enhance product offerings can also impact our sales and brand reputation. We work diligently to uphold and boost the attractiveness of our product offerings in response to consumers' evolving preferences, which has led to a growing consumer base and increased repurchases, as well as higher GMV in our stores. Our abilities to quickly act on consumer feedback, identify and respond to market trends, and develop and launch new products consistently that appeal to consumers are critical to our continuous success.

Freshly-made beverages have found their way into the daily routines of Chinese consumers. The mid-priced tea store market stands as the largest and fastest-growing segment within China's freshly-made tea store market in 2022. By serving fresh, tasty, and value-for-money beverages of consistently high quality that cater to diverse consumer needs, we have established ourselves as the largest mid-priced freshly-made tea store brand and the second largest freshly-made tea store brand across all price ranges in China, in terms of both GMV in 2023 and store count as of December 31, 2023. We believe that our proactive approach to product development and the ability to quickly adapt to changes in consumer tastes and demands will solidify our position in China's rapidly expanding freshly-made tea store market.

Ability to Expand Our Store Network

We mainly operate our nationwide store network through our franchise model. Our franchised stores contributed to approximately 99.9% of our respective GMV for the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023.

We derived our revenue from (i) sales of goods and equipment primarily to our franchised stores, (ii) franchise management services, which include initial franchise fees, continuing support services fees, and fees for provision of training and other services, and (iii) sales from company-operated stores. The scale of our store network plays a significant role in our revenue growth and results of operation. As of December 31, 2021, 2022 and September 30, 2023, our store network consisted of 5,694, 6,669 and 8,578 stores, respectively.

We have adopted a unique regional densification strategy for our store expansion, under which we strategically select target provinces for expansion and prioritize resources to focus on building store networks with high geographical density with coverage across all city tiers in such provinces. We have been continually increasing store density and solidifying our supply chain infrastructure in the provinces where we have established presence. A dense store network also enables centralized franchisee management and significantly enhances our warehousing and logistics efficiency. By capitalizing on our accumulated operational experience and the natural spread of our brand reputation among consumers and franchisees, we have consistently replicated our regional densification strategy to neighboring provinces. We intend to continue to expand our geographic coverage and grow our nationwide store network to establish a stronger presence in the market.

Ability to Enhance Performance of Our Franchised Stores

Our results of operations have been, and will continue to be, influenced by the performance of our stores. In particular, our per-store GMV increased during the Track Record Period. We believe our franchise model drives quality growth and our franchisees' success is crucial to our results of operations. To facilitate shared success with our franchisees, we empower our franchisees to ensure sustainable franchisee profitability and foster close and enduring franchisee relationships. In achieving this goal, we extend comprehensive support to them across various aspects of their business operations. With our strong platform capabilities, we are able to streamline the operations of our franchisees, thereby improving both our and their operating efficiency, which further leads to enhanced store performance and sustained franchisee profitability. For example, we offer various technological modules to efficiently process transactions, digitalize orders, track sales and manage inventory in real-time. Our proven franchisee management capabilities are also broadly recognized by our franchisees and lay a solid basis for their continuous compliance with our standards to deliver high-quality products and services. As a result, we are able to achieve a consistent operational standard across our store network. This approach hence ensures consistently high-quality products and services, subsequently enhancing our brand recognition and encouraging consumer repurchases. The enhanced consumer satisfaction, in turn, leads to industry-leading repurchase rate and increased store performance, which further drives the growth of our revenue.

Ability to Efficiently Manage Our Costs

Our ability in efficiently procuring and delivering supplies to our stores significantly impacts the results of our operations. Our gross profit margin was 30.0% and 28.1% in 2021 and 2022, respectively, and 27.8% and 31.0% for the nine months ended September 30, 2022 and 2023, respectively. In particular, our gross profit margin for sales of goods and equipment was 16.8% and 15.5% in 2021 and 2022, respectively, and 15.1% and 18.8% for the nine months ended September 30, 2022 and 2023, respectively.

For certain fresh fruits such as lemons and mangos, tea leaves, and other key ingredients for our beverages, we directly purchase from their producers rather than purchasing through intermediary distributors so that we have more control over their availability, quality and price. Our direct contact with producers also enables us to influence, to some extent, how producers cultivate their products, and implement adjustments that better address our needs based on our recipes. Additionally, this direct relationship, along with the bulk supplies we procure that help increase our negotiating power, enables us to secure more favorable terms with our suppliers.

We operate freight vehicles to make deliveries from our warehouses to our stores. Leveraging the economies of scale under our regional densification strategy, we are able to deliver fresh and quality ingredients to our stores at competitive costs. During the Track Record Period, the logistics cost for delivery from our warehouses to stores was approximately 0.9% of our total GMV on average. By harnessing our supply chain management expertise, we streamline our supply and distribution chain to achieve sustained benefits in procurement cost and efficiency.

Ability to Control Our Operating Expenses

Our ability to manage and control our operating expenses is critical to the success of our business. Our marketing strategy centers on building a brand image associated with fresh, tasty and value-for-money beverages of consistently high quality. By implementing our regional densification strategy, we have built a dense store network, which helps accumulate strong brand recognition and constantly attract new consumers through word-of-mouth referrals. At the same time, our dense store network, along with our supply chain infrastructure, can also effectively help optimize our warehousing expenses and facilitate centralized franchisee management, which, in turn, enables us to enhance our operating efficiency.

Our selling and distribution expenses amounted to RMB186.2 million and RMB268.1 million in 2021 and 2022, respectively, and RMB197.1 million and RMB239.3 million for the nine months ended September 30, 2022 and 2023, respectively. Our administrative expenses amounted to RMB123.7 million and RMB187.6 million in 2021 and 2022, respectively, and RMB129.5 million and RMB180.7 million for the nine months ended September 30, 2022 and 2023, respectively. As we continue to expand our store network, we expect our operating expenses to increase in absolute amounts. Meanwhile, we aim to leverage the benefits of the economies of scale under our regional densification strategy to continually optimize our operating expenses.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

Set forth below are discussions of the accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Other significant accounting policies, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in detail in notes 2.4 and 3 of the Accountant's Report in Appendix I to this document.

Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

Sales of goods and equipment

We generate revenue from the sales of goods, including ingredients and other related products of freshly-made beverages, and equipment, which is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and equipment.

Provision of franchise management services

We enter into franchise agreements with all franchisees. As the franchisor, we provide franchise management services under our franchise agreements with franchisees. Franchise is a right to sell products in a particular area using our brand name and trademarks.

Our franchise management services revenue mainly includes income from initial franchise fees, income from continuing support services fees and income from the provision of training and other services.

For income from initial franchise fees, the franchisee pays a fixed upfront fee and revenue is recognized over the franchise period. Initial franchise fees are generally charged for pre-opening support services provided to the franchisees, including location analysis, certain advisory services like license application, marketing advisory services, and operational support. As those services are highly interrelated with the franchise right, they are not individually distinct from the ongoing licensing arrangement provided to the franchisees.

For income from continuing support services fees, the franchisee receives ongoing operational support services, which are highly interrelated with the franchise right, from us during the whole franchise period, and pays continuing support services fee, which is determined based on a pre-determined fixed amount per month multiplying the number of the applicable franchisee's stores and a pre-determined rate range as a percentage of the applicable franchisee's stores procurement amounts, and we recognize revenue when the franchisee's subsequent usage occurs.

For income from the provision of training and other services, including pre-opening training services and other training services, and store supervisory and maintenance services, revenue is recognized when the related services are rendered as the customer simultaneously receive and consume the benefits provided by us. The pre-opening training services provided to the franchisees are considered to be distinct as the training contents are largely unrelated to our brand name and trademarks.

Sales from company-operated stores

We generate revenue from stores directly operated by us, and revenue is recognized when the control of the products has transferred to the end customer.

Contract Assets

If we perform by transferring goods or services to a franchisee before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets in note 2.4 of the Accountant's Report in Appendix I to this document. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a franchisee or corporate customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we transfer control of the related goods or services to the franchisee or corporate customer.

Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The redeemable ordinary shares, the warrants and the convertible redeemable preferred shares issued by us were designated upon initial recognition at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss. The net fair value changes relating to market risk are recognized in profit or loss which do not include any interest charged on these financial liabilities.

Financial investments

Wealth management products are classified as financial assets at fair value through profit or loss ("**FVTPL Assets**"). FVTPL Assets are measured and recorded at fair value with net changes in fair value recognized in profit or loss.

Upon initial recognition, we elected to classify irrevocably certain of our equity investment as equity investment designated at fair value through other comprehensive income ("**OCI**") when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to us and the amount of the dividend can be measured reliably, except when we benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investment designated at fair value through OCI is not subject to impairment assessment.

Purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that we commit to purchase or sell the asset.

Share-based payments

We operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of our operations. Our employees (including directors) receive remuneration in the form of share-based payments, whereby rendering services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the dates at which they are granted. The fair values of equity instrument granted are determined by an external valuer using a binomial model, further details of which are given in note 32 to the Accountants' Report in Appendix I to this document.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Principal annual rate
Machinery	9.5%-31.7%
Office equipment	19.0%-47.5%
Motor vehicles	23.8%-47.5%
Leasehold improvements	Over the shorter of the lease terms and 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the reporting period the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises, company-operated stores and plant	2-10 years
Leasehold land	50 years

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects we exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

Short-term leases

We apply the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognized as an expense on a straight-line basis over the lease term.

Significant Accounting Judgements and Estimates

The preparation of our historical financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty during the Track Record Period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Revenue recognition from the provision of franchise management services over time

Franchise rights, which represent primarily the right to access our brand name and trademarks, are granted to franchisees upon upfront initial payments for the first year and are renewable annually by the franchisees at no cost, the control of services is transferred over time. Based on the historical franchise information of the franchised shops, we determined that license fees from the franchise business are recognized as contract liabilities upon receipt of the upfront initial payments and are released to profit or loss as revenue over the estimated franchise period of three years for each reporting period.

Actual franchise periods may differ from the estimated franchise periods. We would periodically review the estimated franchise periods of the franchisees and consider if any adjustment to the current estimation is needed.

Fair values of redeemable ordinary shares, warrants and convertible redeemable preferred shares

The fair values of the redeemable ordinary shares, warrants and convertible redeemable preferred shares measured at fair value through profit or loss are determined using the valuation techniques, including the discounted cash flow method and the option-pricing method. Such valuation is based on key parameters about risk-free rate, discounts for lack of marketability ("**DLOM**") and volatility, which are subject to uncertainty and might materially differ from the actual results. Further details are included in notes 29 of the Accountant's Report in Appendix I to this document.

Fair value of an unlisted equity investment

The unlisted equity investment has been valued based on a market-based valuation technique. The valuation requires the Group to determine the price-to-sales ratio ("P/S") for similar instruments, adjusted by discount for lack of marketability. We classify the fair value of the unlisted equity investment as Level 3. Further details are included in notes 16 and 39 of the Accountant's Report in Appendix I to this document.

Fair value measurement of share-based payments

We set up share incentive plans in 2019 and 2022, respectively, and granted options to our directors and our employees. The fair values of the options are determined by the binomial option-pricing model at the date of grant to employees. Significant estimates on assumptions, including the underlying equity value, risk-free rate, expected volatility, and dividend yield, are made by our board of directors. Further details are included in note 32 to the Accountants' Report in Appendix I to this document.

IMPACT OF COVID-19

The outbreak of COVID-19 and its resurgence in 2022 have severely impacted China and the rest of the world. In an effort to contain the spread of COVID-19, China implemented precautionary measures that reduced economic activities, including temporary closure of workplaces and commercial centers and the imposition of travel and mobility restrictions. As a result, our store operations and financial condition were negatively affected during the Track Record Period. The supply of our goods and equipment was affected due to the associated disruptions in the upstream supply chain and logistics services. We reduced the prices of certain goods supplied to our franchisees to support their operations during the COVID-19. This adjustment resulted in a slight dip in our overall gross profit margin from 30.0% in 2021 to 28.1% in 2022. We also slowed down our store expansion efforts in 2022. We opened 1,317 new stores in 2022, as compared to 1,808 new stores in 2021.

Nevertheless, our continuous efforts to improve our results of operation enabled us to achieve growth in 2022, and our revenue increased from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022. This growth can be attributed to the growth of our per-store GMV and our ongoing efforts to expand our store network. Our per-store GMV increased by 3.4% from RMB2.2 million in 2021 to RMB2.3 million in 2022, and we recorded same-store GMV growth of 2.8% from 2021 to 2022.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statements of profit or loss and comprehensive income in absolute amount and as a percentage of our revenue for the years/periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The results of operations in any year/period are not necessarily indicative of our future trends.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%
					(Unaudited)			
	(RMB in thousands, except percentages)							
Revenue	**4,383,901**	**100.0**	**5,559,222**	**100.0**	**4,161,679**	**100.0**	**5,570,882**	**100.0**
Cost of sales	(3,070,196)	(70.0)	(3,996,290)	(71.9)	(3,005,140)	(72.2)	(3,844,469)	(69.0)
Gross profit	**1,313,705**	**30.0**	**1,562,932**	**28.1**	**1,156,539**	**27.8**	**1,726,413**	**31.0**
Other income and gains	47,598	1.0	57,477	1.1	40,873	1.0	125,879	2.2
Selling and distribution expenses	(186,193)	(4.2)	(268,143)	(4.8)	(197,097)	(4.7)	(239,291)	(4.3)
Administrative expenses	(123,745)	(2.8)	(187,605)	(3.4)	(129,473)	(3.1)	(180,689)	(3.2)
Research and development expenses	(65,030)	(1.5)	(118,288)	(2.1)	(77,952)	(1.9)	(129,055)	(2.3)
Other expenses	(5,775)	(0.1)	(1,069)	(0.1)	(381)	(0.1)	(9,434)	(0.2)
Operating profit	**980,560**	**22.4**	**1,045,304**	**18.8**	**792,509**	**19.0**	**1,293,823**	**23.2**
Finance costs	(5,079)	(0.1)	(5,424)	(0.1)	(4,156)	(0.1)	(4,299)	(0.1)
Fair value changes of financial liabilities at fair value through profit or loss	(728,388)	(16.7)	(389,523)	(7.0)	(310,322)	(7.4)	(21,669)	(0.3)
Profit before tax	**247,093**	**5.6**	**650,357**	**11.7**	**478,031**	**11.5**	**1,267,855**	**22.8**
Income tax expense	(223,101)	(5.1)	(278,332)	(5.0)	(202,564)	(4.9)	(265,818)	(4.8)
Profit for the year/period	**23,992**	**0.5**	**372,025**	**6.7**	**275,467**	**6.6**	**1,002,037**	**18.0**
Total comprehensive income for the year/period	**23,992**	**0.5**	**392,307**	**7.1**	**290,915**	**7.0**	**1,002,229**	**18.0**
Total comprehensive income for the year/period attributable to:								
Owners of the parent	20,139	0.4	386,901	7.0	286,166	6.9	990,225	17.8
Non-controlling interests	3,853	0.1	5,406	0.1	4,749	0.1	12,004	0.2

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRSs, we also use adjusted profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRSs.

The following table reconciles our adjusted profit (non-IFRS measure) for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is profit for the year/period.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2021	2022	2022	2023
			(Unaudited)	
	(RMB in thousands, except percentages)			
Reconciliation of profit for the year/period to adjusted profit (non-IFRS measure):				
Profit for the year/period	23,992	372,025	275,467	1,002,037
Add:				
Fair value changes of financial liabilities at fair value through profit or loss	728,388	389,523	310,322	21,669
Share-based payment expenses	17,226	24,476	17,389	18,981
[**REDACTED**]	–	2,080	–	1,815
Adjusted profit (non-IFRS measure)	769,606	788,104	603,178	1,044,502

We define adjusted profit (non-IFRS measure) as profit for the year/period, excluding fair value changes of financial liabilities at fair value through profit or loss, share-based payment expenses and [**REDACTED**]. We have made the following adjustments consistently during the Track Record Period:

- Fair value changes of financial liabilities at fair value through profit or loss mainly represent changes in the fair value of the redeemable ordinary shares, warrants and the convertible redeemable preferred shares issued by us and relate to changes in our valuation. We do not expect to record any further fair value changes of financial liabilities at fair value through profit or loss after [**REDACTED**] as preferred shares liabilities will be re-designated and reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**].

- Share-based payment expenses represent the non-cash employee benefit expenses incurred in connection with our award to key employees. Such expenses in any specific period are not expected to result in future cash payments.

- [**REDACTED**] relate to this [**REDACTED**] of the Company, which is one-off in nature and is not directly related to our operating activities.

We exclude the items above because they are neither operating in nature nor indicative of our core operating results and business outlook. We believe that excluding these items provide investors and management with more meaningful indicators to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.

The following table reconciles our adjusted EBITDA (non-IFRS measure) for the years/periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is profit for the year/period.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2021	2022	2022	2023
			(Unaudited)	
	(RMB in thousands, except percentages)			
Reconciliation of profit for the year/period to adjusted EBITDA (non-IFRS measure):				
Profit for the year/period	23,992	372,025	275,467	1,002,037
Add:				
Income tax expense	223,101	278,332	202,564	265,818
Finance costs	5,079	5,424	4,156	4,299
Depreciation and amortization	69,870	118,947	87,290	101,943
Fair value changes of financial liabilities at fair value through profit or loss	728,388	389,523	310,322	21,669
Share-based payment expenses	17,226	24,476	17,389	18,981
[**REDACTED**]	–	2,080	–	1,815
Less: Finance income	(2,181)	(5,375)	(3,662)	(35,583)
Adjusted EBITDA (non-IFRS measure)	1,065,475	1,185,432	893,526	1,380,979

We define adjusted EBITDA (non-IFRS measure) as profit for the year/period, excluding income tax expense, finance costs, finance income, depreciation and amortization, fair value changes of financial liabilities at fair value through profit or loss, share-based payment expenses and [**REDACTED**]. For the same reasons stated above, we have made the adjustments of fair value changes of financial liabilities at fair value through profit or loss, share-based payment expenses and [**REDACTED**].

We believe that adjusted profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of adjusted profit (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for, an analysis of, our results of operations or financial condition as reported under IFRSs.

Revenue

During the Track Record Period, we derived our revenue from (i) sales of goods and equipment, (ii) franchise management services, which consist of initial franchise fees, continuing support services fees, and income from provision of training and other services, and (iii) sales from company-operated stores. Revenue from sales of goods and equipment accounted for 80.9% and 81.0% of our revenue in 2021 and 2022, respectively, and 81.1% and 80.4% of our revenue for the nine months ended September 30, 2022 and 2023, respectively.

The following table breaks down our revenue by absolute amounts and as a percentage of our total revenue for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%
					(Unaudited)			
	(RMB in thousands, except percentages)							
Revenue:								
Sales of goods and equipment	**3,546,918**	**80.9**	**4,505,145**	**81.0**	**3,376,411**	**81.1**	**4,477,504**	**80.4**
– Sales of goods	3,348,943	76.4	4,282,733	77.0	3,201,640	76.9	4,175,719	75.0
– Sales of equipment	197,975	4.5	222,412	4.0	174,771	4.2	301,785	5.4
Franchise management services	**831,645**	**19.0**	**1,044,290**	**18.8**	**777,876**	**18.8**	**1,083,910**	**19.5**
– Initial franchise fees	73,414	1.7	87,911	1.6	65,394	1.6	80,794	1.5
– Continuing support services fees	699,488	16.0	898,883	16.2	668,291	16.1	929,906	16.7
– Provision of training and other services	58,743	1.3	57,496	1.0	44,191	1.1	73,210	1.3
Sales from company-operated stores	**5,338**	**0.1**	**9,787**	**0.2**	**7,392**	**0.1**	**9,468**	**0.1**
Total	**4,383,901**	**100.0**	**5,559,222**	**100.0**	**4,161,679**	**100.0**	**5,570,882**	**100.0**

Sales of Goods and Equipment. We generate revenue from sales of goods and equipment primarily to our franchisees. Our revenue from sales of goods is primarily generated from our sales of ingredients for our beverages such as fresh fruits, fresh juices, tea leaves, dairy products and packaging materials, among others.

Our revenue from sales of equipment primarily includes the sales of tea brewers, ice machines, freezers, refrigerators and other electronic equipment to our franchised stores. We primarily sell the store equipment to newly opened stores, and replace or upgrade store equipment for existing stores. We recognize revenue from sales of goods and equipment at the point in time when control of the asset is transferred to the franchisees, generally upon the delivery of the goods and equipment.

Our revenue from sales of goods and equipment grew from RMB3,546.9 million in 2021 to RMB4,505.1 million in 2022, and from RMB3,376.4 million in the nine months ended September 30, 2022 to RMB4,477.5 million in the same period in 2023, as (i) the number of our franchised stores increased from 5,689 as of December 31, 2021 to 6,664 as of December 31, 2022, and further to 8,572 as of September 30, 2023, and (ii) our total GMV increased from RMB10.6 billion in 2021 to RMB14.0 billion in 2022, and increased from RMB10.5 billion in the nine months ended September 30, 2022 to RMB13.8 billion in the same period in 2023.

Franchise Management Services. Our revenue generated from franchise management services to our franchisees mainly includes initial franchise fees, continuing support services fees and income from the provision of training and other services.

For initial franchise fees, each franchisee pays a fixed upfront fee after it enters into a franchise agreement with us, and revenue is recognized over the franchise period, which is typically three years. Initial franchise fees are generally charged for pre-opening support services provided to the franchisees, including (i) location analysis and certain advisory services such as license application, (ii) marketing advisory services, and (iii) operational support.

For income from continuing support services fees, our franchisees receive our ongoing operational support services from us with respect to supply chain, store operation, technology support, and marketing and promotion, during the whole franchise period, which are highly interrelated with the franchise right. Our franchisees pay us continuing support services fees, which is determined based on (i) a pre-determined fixed amount per month multiplying the number of the applicable franchised stores, and (ii) a pre-determined rate range as a percentage of the applicable franchised stores' procurement amounts. We recognize revenue when the franchisee's subsequent usage occurs.

Our franchise management services revenue is also generated from the provision of training and other services, including pre-opening training services and other training services, and store supervisory and maintenance services, and revenue is recognized when the related services are rendered as our franchisees simultaneously receive and consume the benefits provided by us.

Our revenue generated from franchise management services increased from RMB831.6 million in 2021 to RMB1,044.3 million in 2022, and from RMB777.9 million in the nine months ended September 30, 2022 to RMB1,083.9 million in the same period in 2023, as a result of an increase in the number of our franchised stores from 5,689 as of December 31, 2021 to 6,664 as of December 31, 2022, and further to 8,572 as of September 30, 2023, as well as the increased average procurement amounts of our franchised stores.

Sales from Company-operated Stores. We also generate a small portion of our revenue from company-operated stores and revenue is recognized when the control of the products has been transferred to the consumers. As of December 31, 2021, and 2022, and September 30, 2023, our store network included five, five, and six company-operated stores, respectively.

Cost of Sales

Our cost of sales primarily consists of (i) cost of sales of goods and equipment, (ii) cost of providing franchise management services, and (iii) cost of sales from our company-operated stores. In particular, cost of sales of goods and equipment mainly includes cost of inventories sold, cost of wages and salaries and the logistics cost for delivery from our warehouses to our stores.

The following table breaks down our cost of sales by major components of revenue in absolute amounts and as a percentage of our total revenue for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%
					(Unaudited)			
	(RMB in thousands, except percentages)							
Cost of sales:								
Cost of sales of goods and equipment	**2,952,080**	**67.3**	**3,806,506**	**68.4**	**2,866,443**	**68.9**	**3,636,260**	**65.3**
– Cost of goods	2,770,371	63.2	3,605,030	64.8	2,708,277	65.1	3,363,123	60.4
– Cost of equipment	181,709	4.1	201,476	3.6	158,166	3.8	273,137	4.9
Cost of providing franchise management services	**114,640**	**2.6**	**181,818**	**3.4**	**132,788**	**3.2**	**200,618**	**3.6**
– Cost of initial franchise fees	30,527	0.7	38,603	0.7	29,865	0.7	43,129	0.8
– Cost of continuing support service fees	55,339	1.2	106,031	2.0	73,726	1.8	119,644	2.1
– Cost of provision of training and other services	28,774	0.7	37,184	0.7	29,197	0.7	37,845	0.7
Cost of sales from company-operated stores	**3,476**	**0.1**	**7,966**	**0.1**	**5,909**	**0.1**	**7,591**	**0.1**
Total	**3,070,196**	**70.0**	**3,996,290**	**71.9**	**3,005,140**	**72.2**	**3,844,469**	**69.0**

Our cost of sales increased from RMB3,070.2 million in 2021 to RMB3,996.3 million in 2022, and from RMB3,005.1 million in the nine months ended September 30, 2022 to RMB3,844.5 million in the same period in 2023, which is generally in line with our revenue growth in these periods.

Gross Profit and Gross Profit Margin

We recorded gross profit of RMB1,313.7 million, RMB1,562.9 million, RMB1,156.5 million and RMB1,726.4 million in 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively, representing gross profit margin of 30.0%, 28.1%, 27.8% and 31.0%, respectively, during the same periods.

The following table breaks down our gross profit and gross profit margin by major components of revenue for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2021		2022		2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB	%	RMB	%	RMB	%	RMB	%
					(Unaudited)			
	(RMB in thousands, except percentages)							
Sales of goods and equipment	**594,838**	**16.8**	**698,639**	**15.5**	**509,968**	**15.1**	**841,244**	**18.8**
– Sales of goods	578,572	17.3	677,703	15.8	493,363	15.4	812,596	19.5
– Sales of equipment	16,266	8.2	20,936	9.4	16,605	9.5	28,648	9.5
Franchise management services	**717,005**	**86.2**	**862,472**	**82.6**	**645,088**	**82.9**	**883,292**	**81.5**
– Initial franchise fees	42,887	58.4	49,308	56.1	35,529	54.3	37,665	46.6
– Continuing support services fees	644,149	92.1	792,852	88.2	594,565	89.0	810,262	87.1
– Provision of training and other services	29,969	51.0	20,312	35.3	14,994	33.9	35,365	48.3
Sales from company-operated stores	**1,862**	**34.9**	**1,821**	**18.6**	**1,483**	**20.1**	**1,877**	**19.8**
Total	**1,313,705**	**30.0**	**1,562,932**	**28.1**	**1,156,539**	**27.8**	**1,726,413**	**31.0**

Other Income and Gains

Our other income primarily consists of (i) government grants, which represent incentives received from the local governments as their support to the growth of local enterprises, and (ii) bank interest income.

Our net other gains primarily consist of (i) foreign exchange gains, (ii) fair value changes of financial assets at fair value through profit or loss, and (iii) gains on disposal of items of property, plant and equipment.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee compensations for our sales and distribution staff, (ii) advertising and promoting fees, (iii) warehousing and transportation expenses, which mainly represent expenses for warehousing and transportation among our warehouses, (iv) depreciation and amortization expenses allocated to our assets for selling and distribution purposes, which are mainly related to the warehouses, and (v) other expenses, mainly including outsourced labor costs and training fees. In 2021, 2022 and the nine months ended September 30, 2022 and 2023, our selling and distribution expenses accounted for 4.2%, 4.8%, 4.7% and 4.3% of our total revenue, respectively.

The following table breaks down our selling and distribution expenses by absolute amounts and as a percentage of our total revenue for the years/periods indicated.

	For the Year Ended December 31,				For the Nine Months Ended September 30,			
	2021		2022		2022		2023	
	RMB	%	RMB	%	RMB	%	RMB	%
					(Unaudited)			
	(RMB in thousands, except percentages)							
Selling and distribution expenses:								
Employee compensations	70,712	1.6	91,112	1.6	77,113	1.9	62,162	1.1
Advertising and promoting fees	40,907	0.9	36,622	0.7	28,097	0.7	42,715	0.8
Warehousing and transportation expenses	40,930	0.9	70,098	1.3	42,765	1.0	56,178	1.0
Depreciation and amortization expenses	27,372	0.6	48,592	0.9	35,885	0.9	39,906	0.7
Other expenses	6,272	0.2	21,719	0.3	13,237	0.2	38,330	0.7
Total	**186,193**	**4.2**	**268,143**	**4.8**	**197,097**	**4.7**	**239,291**	**4.3**

Administrative Expenses

Our administrative expenses primarily consist of (i) employee compensations for our administrative staff, (ii) depreciation and amortization expenses allocated to our assets for administrative purposes, (iii) service fees, representing amount paid to certain professional service providers, and (iv) other expenses, mainly including business travel expenses occurred for administrative purposes, office and relevant expenses and [**REDACTED**]. In 2021, 2022 and the nine months ended September 30, 2022 and 2023, our administrative expenses accounted for 2.8%, 3.4%, 3.1% and 3.2% of our total revenue, respectively.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee compensations for our product research and development and information technology staff, (ii) information technology fees, mainly related to our servers, (iii) depreciation and amortization expenses allocated to our assets for research and development purposes, and (iv) other expenses, mainly including property management fees and training fees, office and relevant expenses. In 2021, 2022 and the nine months ended September 30, 2022 and 2023, our research and development expenses accounted for 1.5%, 2.1%, 1.9% and 2.3% of our total revenue, respectively.

Other Expenses

Our other expenses mainly consist of donations, late payment fees in relation to our historical tax non-compliance and foreign exchange losses. Our other expenses amounted to RMB5.8 million and RMB1.1 million for the years ended December 31, 2021 and 2022, respectively, and RMB0.4 million and RMB9.4 million for the nine months ended September 30, 2022 and 2023, respectively.

Finance Costs

Our finance costs primarily represent interest on lease liabilities and interest on other borrowings. Our finance costs amounted to RMB5.1 million and RMB5.4 million for the years ended December 31, 2021 and 2022, respectively, and RMB4.2 million and RMB4.3 million for the nine months ended September 30, 2022 and 2023, respectively.

Fair Value Changes of Financial Liabilities at Fair Value through Profit or Loss

In 2020, we issued redeemable ordinary shares to certain investors, who have the right to mandate us to repurchase their equity interests at the price agreed under certain circumstances. In 2022, we replaced the redeemable ordinary shares with warrants and convertible redeemable Series A preferred shares, which will be converted to ordinary shares upon the [**REDACTED**]. The investments from these investors were classified as financial liabilities and designated at fair value through profit or loss. See note 29 to the Accountants' Report in Appendix I to this document for details.

We recorded losses from fair value changes of financial liabilities through profit or loss of RMB728.4 million and RMB389.5 million in 2021 and 2022, respectively, and we recorded losses from fair value changes of financial liabilities through profit or loss of RMB310.3 million and RMB21.7 million in the nine months ended September 30, 2022 and 2023, respectively, primarily attributable to changes in the valuation of our Company.

Taxation

Cayman Islands

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains, or appreciation, and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for certain stamp duties, which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. In addition, the Cayman Islands does not impose withholding tax on dividend payments.

Hong Kong

The Company's subsidiaries domiciled in Hong Kong are subject to a two-tiered income tax rate for taxable income earned in Hong Kong, effective since April 1, 2018. The first two million Hong Kong dollars of profits earned by these subsidiaries are to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%. To avoid abuse of the two-tiered tax regime, each group of connected entities can nominate only one entity to benefit from the two-tiered tax rate. Additionally, payments of dividends by the subsidiaries incorporated in Hong Kong to the Company are not subject to any Hong Kong withholding tax.

Mainland China

Generally, our subsidiaries in China are subject to enterprise income tax on their taxable income in China at a rate of 25%, except where a special preferential rate applies. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Certain of our subsidiaries that are registered in Jingning She Autonomous County, Zhejiang, are entitled to a preferential income tax policy for an exemption of the local portion of income tax for 10 years since the date of their registration. Certain of our subsidiaries in China were accredited as "High and New Technology Enterprises" and therefore entitled to a preferential income tax rate of 15% for the year ended December 31, 2022 and the nine months ended September 30, 2023. In addition, one of our subsidiaries in China was qualified as a "Double Soft Enterprise" ("**DSE**") under the PRC Enterprise Income Tax Law during the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, which entitled it to an income tax exemption for two years commencing from its first profitable year, and a 50% reduction in the applicable tax rates for the subsequent three years if it meets the criteria of DSE each year.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Risk Factors — Risks Relating to Doing Business in the Country Where We Operate — If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders."

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Revenue

Our revenue increased by 33.9% from RMB4,161.7 million in the nine months ended September 30, 2022 to RMB5,570.9 million in the same period in 2023, primarily attributable to the growth in sales of goods and equipment mainly as a result of the expansion of our store network and growing GMV. The number of stores in our store network increased by 31.8% from 6,510 stores as of September 30, 2022 to 8,578 stores as of September 30, 2023. The total GMV increased from RMB10.5 billion in the nine months ended September 30, 2022 to RMB13.8 billion in the same period in 2023.

Sales of goods and equipment. Our revenue from sales of goods and equipment increased by 32.6% from RMB3,376.4 million in the nine months ended September 30, 2022 to RMB4,477.5 million in the same period in 2023. In particular, our revenue from sales of goods increased by 30.4% from RMB3,201.6 million in the nine months ended September 30, 2022 to RMB4,175.7 million in the same period in 2023 as our store network expanded and the total GMV increased, which leads to higher demands of goods from us. Our revenue from sales of equipment increased by 72.7% from RMB174.8 million in the nine months ended September 30, 2022 to RMB301.8 million in the same period in 2023, primarily due to the increased number of our newly opened stores and the equipment upgrade in our existing stores.

Franchise management service. Our franchise management services revenue increased by 39.3% from RMB777.9 million in the nine months ended September 30, 2022 to RMB1,083.9 million in the same period in 2023. Our revenue from initial franchise fees increased by 23.5% from RMB65.4 million in the nine months ended September 30, 2022 to RMB80.8 million in the same period in 2023 as the number of our newly opened stores increased. Our revenue from continuing support services fees increased by 39.1% from RMB668.3 million in the nine months ended September 30, 2022 to RMB929.9 million in the same period in 2023, which is in line with our increased total GMV. Our revenue from provision of training and other services increased by 65.7% from RMB44.2 million in the nine months ended September 30, 2022 to RMB73.2 million in the same period in 2023 as we opened more stores in the nine months ended September 30, 2023 as compared to the same period in 2022.

Sales from company-operated stores. Our revenue from sales from company-operated stores increased by 28.1% from RMB7.4 million in the nine months ended September 30, 2022 to RMB9.5 million in the same period in 2023, primarily because we had six company-operated stores as of September 30, 2023, as compared to five company-operated stores as of September 30, 2022.

Cost of sales

Our cost of sales increased by 27.9% from RMB3,005.1 million in the nine months ended September 30, 2022 to RMB3,844.5 million in the same period in 2023, primarily due to (i) an increase of RMB769.8 million in cost of sales of goods and equipment, and (ii) an increase of RMB67.8 million in cost of providing franchise management services. The increase in our cost of sales is generally in line with our business expansion and revenue growth.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 49.3% from RMB1,156.5 million in the nine months ended September 30, 2022 to RMB1,726.4 million in the same period in 2023, and our gross profit margin was 27.8% and 31.0% in the nine months ended September 30, 2022 and 2023, respectively.

Our gross profit for sales of goods and equipment increased by 65.0% from RMB510.0 million in the nine months ended September 30, 2022 to RMB841.2 million in the same period in 2023. Our gross profit margin for sales of goods and equipment was 15.1% and 18.8% in the nine months ended September 30, 2022 and 2023, respectively, primarily as a result of the economies of scale and the ease of COVID-19. Our gross profit for franchise management services increased by 36.9% from RMB645.1 million in the nine months ended September 30, 2022 to RMB883.3 million in the same period in 2023. Our gross profit margin for franchise management services slightly decreased from 82.9% in the nine months ended September 30, 2022 to 81.5% in the same period in 2023, as we allocated resources to expand our store network in new regions at an accelerating pace.

Other income and gains

Our other income and gains increased by 208.0% from RMB40.9 million in the nine months ended September 30, 2022 to RMB125.9 million in the same period in 2023, primarily due to (i) an increase of RMB60.4 million in government grants because we received more government grants in 2023, and (ii) an increase of RMB31.9 million in bank interest income, partially offset by a decrease of RMB5.6 million in foreign exchange gains.

Selling and distribution expenses

Our selling and distribution expenses increased by 21.4% from RMB197.1 million in the nine months ended September 30, 2022 to RMB239.3 million in the same period in 2023, primarily due to (i) an increase of RMB13.4 million in warehousing and transportation expenses, and (ii) an increase of RMB14.6 million in advertising and promoting fees, primarily due to our increasing marketing and promotional efforts.

Administrative expenses

Our administrative expenses increased by 39.6% from RMB129.5 million in the nine months ended September 30, 2022 to RMB180.7 million in the same period in 2023, primarily due to increased employee compensations for our administrative staff.

Research and development expenses

Our research and development expenses increased by 65.6% from RMB78.0 million in the nine months ended September 30, 2022 to RMB129.1 million in the same period in 2023, primarily due to increased employee compensations for our research and development staff.

Fair value changes of financial liabilities at fair value through profit or loss

We recorded fair value loss of financial liabilities at fair value through profit or loss of RMB310.3 million and RMB21.7 million in the nine months ended September 30, 2022 and 2023, respectively, primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company. See note 29 to the Accountants' Report in Appendix I to this document for details.

Income tax expense

We recorded income tax expense of RMB202.6 million in the nine months ended September 30, 2022 and RMB265.8 million in the nine months ended September 30, 2023. The increase in our income tax expense was primarily due to an increase in our profit before tax, partially offset by the preferential income tax policies we enjoyed.

Profit for the period

As a result of the foregoing, our profit for the period increased by 263.8% from RMB275.5 million in the nine months ended September 30, 2022 to RMB1,002.0 million in the same period in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 26.8% from RMB4,383.9 million in 2021 to RMB5,559.2 million in 2022, primarily attributable to the growth in sales of goods and equipment mainly as a result of our growing store network and the increasing GMV. The number of stores in our store network increased by 17.1% from 5,694 stores as of December 31, 2021 to 6,669 stores as of December 31, 2022. The total GMV increased from RMB10.6 billion in 2021 to RMB14.0 billion in 2022.

Sales of goods and equipment. Our revenue from sales of goods and equipment increased by 27.0% from RMB3,546.9 million in 2021 to RMB4,505.1 million in 2022. In particular, our revenue from sales of goods increased by 27.9% from RMB3,348.9 million in 2021 to RMB4,282.7 million in 2022 primarily due to our growing store network and our increased total GMV, which leads to higher demands of goods and equipment from us. Our revenue from sales of equipment increased by 12.3% from RMB198.0 million in 2021 to RMB222.4 million in 2022, primarily because we expanded our store network.

Franchise management service. Our franchise management services revenue increased by 25.6% from RMB831.6 million in 2021 to RMB1,044.3 million in 2022. Our revenue from initial franchise fees increased by 19.7% from RMB73.4 million in 2021 to RMB87.9 million in 2022 as the number of our franchised stores increased. Our revenue from continuing support services fees increased by 28.5% from RMB699.5 million in 2021 to RMB898.9 million in 2022, which is in line with the growth of our store network and increased total GMV. Our revenue from provision of training and other services slightly decreased by 2.1% from RMB58.7 million in 2021 to RMB57.5 million in 2022, mainly attributable to the lower number of new store openings in 2022 as compared to that in 2021 due to the impact of COVID-19.

Sales from company-operated stores. Our revenue from sales from company-operated stores was RMB5.3 million and RMB9.8 million in 2021 and 2022, respectively.

Cost of sales

Our cost of sales increased by 30.2% from RMB3,070.2 million in 2021 to RMB3,996.3 million in 2022, primarily due to (i) an increase of RMB854.4 million in cost of sales of goods and equipment, and (ii) an increase of RMB67.2 million in cost of providing franchise management services. The increase in our cost of sales is generally in line with our business expansion and revenue growth.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 19.0% from RMB1,313.7 million in 2021 to RMB1,562.9 million in 2022. Our gross profit margin slightly decreased from 30.0% in 2021 to 28.1% in 2022, primarily because we reduced the prices of certain goods supplied to our franchisees to support their operations during the COVID-19.

Our gross profit for sales of goods and equipment increased by 17.5% from RMB594.8 million in 2021 to RMB698.6 million in 2022. Our gross profit margin for sales of goods and equipment was 16.8% and 15.5% in 2021 and 2022, respectively. Our gross profit for franchise management services increased by 20.3% from RMB717.0 million in 2021 to RMB862.5 million in 2022. Our gross profit margin for franchise management services was 86.2% and 82.6% in 2021 and 2022, respectively, as we invested more resources into franchisee development and store management.

Other income and gains

Our other income and gains increased by 20.8% from RMB47.6 million in 2021 to RMB57.5 million in 2022, primarily due to an increase of RMB7.9 million in foreign exchange gains, and an increase of RMB3.2 million in interest income due to increased cash and bank balances.

Selling and distribution expenses

Our selling and distribution expenses increased by 44.0% from RMB186.2 million in 2021 to RMB268.1 million in 2022, primarily due to (i) an increase of RMB21.2 million in depreciation and amortization expenses primarily related to the leased warehouses, (ii) an increase of RMB20.4 million in employee compensations for our selling and distribution staff, and (iii) an increase of RMB29.2 million in warehousing and transportation expenses.

Administrative expenses

Our administrative expenses increased by 51.6% from RMB123.7 million in 2021 to RMB187.6 million in 2022, primarily due to increased employee compensations for our administrative staff and increased depreciation and amortization expenses of our assets for administrative purposes.

Research and development expenses

Our research and development expenses increased by 81.9% from RMB65.0 million in 2021 to RMB118.3 million in 2022, primarily due to increased employee compensations for our research and development staff and increased information technology fees as we procured more servers to enhance our technological capabilities.

Fair value changes of financial liabilities at fair value through profit or loss

We recorded fair value loss of financial liabilities at fair value through profit or loss of RMB728.4 million and RMB389.5 million in 2021 and 2022, respectively, primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company. See note 29 to the Accountants' Report in Appendix I to this document for details.

Income tax expense

We recorded income tax expense of RMB223.1 million in 2021 and RMB278.3 million in 2022. The increase in our income tax expense was primarily due to an increase in our profit before tax.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly from RMB24.0 million in 2021 to RMB372.0 million in 2022.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report in Appendix I to this document:

	As of December 31,		As of September 30,
	2021	2022	2023
			(Unaudited)
		(RMB in thousands)	
Total non-current assets	675,961	867,109	980,395
Total current assets	1,367,539	2,164,567	3,291,605
Total assets	**2,043,500**	**3,031,676**	**4,272,000**
Total non-current liabilities	169,091	182,628	216,907
Total current liabilities	3,080,220	3,665,642	3,850,477
Total liabilities	**3,249,311**	**3,848,270**	**4,067,384**
Net (liabilities)/assets	**(1,205,811)**	**(816,594)**	**204,616**
Share capital	112	112	112
Reserves	(1,216,305)	(832,494)	176,712
Equity attributable to owners of the parent	**(1,216,193)**	**(832,382)**	**176,824**
Non-controlling interests	10,382	15,788	27,792
(Deficiency in assets)/Total equity	**(1,205,811)**	**(816,594)**	**204,616**

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,		As of September 30,	As of November 30,
	2021	2022	2023	2023
				(Unaudited)
	(RMB in thousands)			
Current assets:				
Inventories	706,789	705,560	672,720	754,950
Trade receivables	34,401	37,511	60,104	76,552
Contract assets	–	–	25,985	21,660
Prepayments, other receivables and other assets	232,862	236,945	307,583	282,157
Financial assets at fair value through profit or loss	241,679	37,346	30,961	274,559
Restricted cash	–	–	148,048	151,048
Cash and bank balances	151,808	1,147,205	2,046,204	1,897,542
Total current assets	**1,367,539**	**2,164,567**	**3,291,605**	**3,458,468**
Current liabilities:				
Trade payables	149,591	389,543	431,085	448,642
Other payables and accruals	181,546	251,213	251,748	289,197
Tax payables	166,809	53,372	68,303	31,296
Contract liabilities	65,335	57,520	20,834	25,880
Interest-bearing other borrowings	–	–	148,048	151,048
Financial liabilities at fair value through profit or loss	2,472,275	2,861,798	2,883,467	2,900,808
Lease liabilities	44,664	52,196	46,992	47,761
Total current liabilities	**3,080,220**	**3,665,642**	**3,850,477**	**3,894,632**
Net current liabilities	**(1,712,681)**	**(1,501,075)**	**(558,872)**	**(436,164)**

We recorded net current liabilities of RMB1,712.7 million, RMB1,501.1 million and RMB558.9 million as of December 31, 2021 and 2022 and September 30, 2023, respectively, primarily due to the presentation of convertible redeemable preferred shares as current liabilities. Our convertible redeemable preferred shares will be reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**], after which we do not expect to recognize any further loss or gain on changes in fair value of convertible redeemable preferred shares and will return to a net current assets position from a net current liabilities position.

Our net current liabilities decreased from RMB1,712.7 million as of December 31, 2021 to RMB1,501.1 million as of December 31, 2022. The decrease was mainly due to an increase in cash and bank balances of RMB995.4 million, primarily due to the expansion of our business, partially offset by (i) an increase in financial liabilities at fair value through profit or loss of RMB389.5 million, primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company, and (ii) an increase in trade payables of RMB240.0 million, attributable to the expansion of our business and increased bargaining power to our suppliers.

Our net current liabilities decreased from RMB1,501.1 million as of December 31, 2022 to RMB558.9 million as of September 30, 2023. The decrease was mainly due to an increase in cash and bank balances of RMB899.0 million, primarily due to the growth of our business, partially offset by a decrease in inventories of RMB32.8 million, primarily due to the ease of COVID-19 that brought more stable logistics.

Our net current liabilities decreased from RMB558.9 million as of September 30, 2023 to RMB436.2 million as of November 30, 2023. The decrease was mainly due to (i) an increase in financial assets at fair value through profit or loss of RMB243.6 million, and (ii) an increase in inventories of RMB82.2 million, partially offset by (i) a decrease in cash and bank balances of RMB148.7 million, and (ii) an increase of other payables and accruals of RMB37.4 million.

Inventories

Our inventories primarily consist of (i) ingredients such as fresh fruits, fruit juices, tea leaves, and dairy products, and (ii) packaging materials.

The following table sets forth our inventories as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
			(Unaudited)
	(RMB in thousands)		
Inventories:			
Raw materials	151,281	86,465	37,986
Work in progress	18,768	24,635	78,864
Finished goods	536,740	594,460	555,870
Total	**706,789**	**705,560**	**672,720**

Our inventories remained stable at RMB706.8 million and RMB705.6 million as of December 31, 2021 and 2022, respectively. Our inventories decreased from RMB705.6 million as of December 31, 2022 to RMB672.7 million as of September 30, 2023. The decrease was mainly due to the ease of COVID-19 that brought more stable logistics. We assess our inventory level and turnover rates on a monthly basis in order to respond to potential inventory risks in a timely manner. Leveraging our extensive warehousing and logistics capabilities, we are able to manage our inventory efficiently and ensure consistent quality of our products.

The following table sets forth our inventory turnover days for the years/periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2021	2022	2023
Inventory turnover days[1]	55	64	48

Note:

(1) Inventory turnover days are based on the average balance of inventories divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days, and the number of days for the nine months ended September 30 is 270 days.

Our inventory turnover days increased from 55 days in 2021 to 64 days in 2022, and decreased to 48 days for the nine months ended September 30, 2023. Our inventory turnover days increased due to the impact of COVID-19 in 2022 and decreased due to the ease of COVID-19 that brought more stable logistics.

As of November 30, 2023, RMB422.4 million, or 62.8%, of our inventories as of September 30, 2023 had been sold or utilized.

Trade Receivables

Our trade receivables primarily refer to outstanding amounts due from franchisees and corporate customers for their purchase of goods and equipment from us.

Our trade receivables increased from RMB34.4 million as of December 31, 2021 to RMB37.5 million as of December 31, 2022, and further increased to RMB60.1 million as of September 30, 2023. The increases were mainly due to (i) increased sales of goods to our corporate customers, and (ii) increased sales of goods as the number of our franchised stores grew.

The following table sets forth the aging analysis of our trade receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
			(Unaudited)
		(RMB in thousands)	
Trade receivables:			
Within 1 month	29,928	31,951	40,355
1 to 3 months	2,090	3,734	11,354
3 to 6 months	1,784	977	7,033
6 months to 1 year	599	849	1,362
Total	**34,401**	**37,511**	**60,104**

The following table sets forth our trade receivable turnover days for periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2021	2022	2023
Trade receivable turnover days[1]	2.5	2.4	2.4

Note:

(1) Trade receivable turnover days are based on the average balance of trade receivables divided by total revenue for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days, and the number of days for the nine months ended September 30 is 270 days.

Our trade receivable turnover days remained stable at 2.5 days and 2.4 days in 2021 and 2022, respectively, and at 2.4 days for the nine months ended September 30, 2023.

As of November 30, 2023, approximately RMB52.5 million, or 87.4%, of our trade receivables as of September 30, 2023 had been settled.

Contract Assets

The balance of our contract assets was RMB26.0 million as of September 30, 2023, which were mainly as a result of our unbilled trade receivables that will be re-classified as trade receivables once billed.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) prepayments to suppliers, (ii) prepaid expenses, mainly representing advertising and promoting fees prepaid to online platforms, (iii) deposits, which are related to our leased properties, (iv) value-added tax recoverable, which is in line with our purchase amounts, and (v) others.

The following table sets forth our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
			(Unaudited)
	(RMB in thousands)		
Prepayments, other receivables and other assets:			
Prepayments to suppliers	166,441	141,120	163,723
Prepaid expenses	20,940	19,975	27,231
Deposits	16,791	18,698	18,065
Value-added tax recoverable	23,221	45,064	67,162
Others	5,469	12,088	31,402
Total	**232,862**	**236,945**	**307,583**

Our prepayments, other receivables and other assets remained stable at RMB232.9 million and RMB236.9 million as of December 31, 2021 and 2022, respectively.

Our prepayments, other receivables and other assets increased from RMB236.9 million as of December 31, 2022 to RMB307.6 million as of September 30, 2023. The increase was mainly due to an increase in prepayments to suppliers of RMB22.6 million, and an increase in value-added tax recoverable of RMB22.1 million. The increases were primarily due to an increase in our purchase amounts.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss represent wealth management products, which we purchased, issued by banks in mainland China with a maturity period within one year. Our financial assets at fair value through profit or loss decreased from RMB241.7 million as of December 31, 2021 to RMB37.3 million as of December 31, 2022, and decreased to RMB31.0 million as of September 30, 2023. The changes in our financial assets at fair value through profit or loss were primarily because we adjusted our investment amounts in wealth management products.

Cash and Bank Balances

Our cash and bank balances primarily consist of (i) cash on hand and cash at bank, and (ii) short-term bank deposits. We had cash and bank balances of RMB151.8 million, RMB1,147.2 million and RMB2,046.2 million as of December 31, 2021 and 2022 and September 30, 2023, respectively. See "— Liquidity and Capital Resources — Cash Flow Analysis."

Property, Plant and Equipment

Our property, plant and equipment primarily consists of (i) machinery, mainly representing cold storage in our warehouses, and equipment and machines at our processing facilities, (ii) office equipment, (iii) motor vehicles, which are mainly for delivery of goods, (iv) leasehold improvements, and (v) construction in progress, which includes our office building, warehouse and processing facility.

The following table sets forth our property, plant and equipment as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
			(Unaudited)
		(RMB in thousands)	
Property, plant and equipment:			
Machinery	53,056	97,574	88,930
Office equipment	14,796	22,157	20,388
Motor vehicles	52,227	50,181	50,839
Leasehold improvements	17,814	47,511	31,833
Construction in progress	54,569	16,391	232,902
Total	**192,462**	**233,814**	**424,892**

The carrying amount of our property, plant and equipment increased from RMB192.5 million as of December 31, 2021 to RMB233.8 million as of December 31, 2022, primarily attributable to our business growth and the increased investment in warehouses and logistics infrastructure driven by the expansion of our nationwide store network. In particular, the carrying amount of our machinery increased from RMB53.1 million as of December 31, 2021 to RMB97.6 million as of December 31, 2022, which is mainly related to the upgrades of equipment at our processing facilities. The carrying amount of our office equipment increased from RMB14.8 million as of December 31, 2021 to RMB22.2 million as of December 31, 2022, primarily from the purchase of office computers, furniture and other supporting facilities due to the increase in the number of our employees. The carrying amount of our motor vehicles slightly decreased from RMB52.2 million as of December 31, 2021 to RMB50.2 million as of December 31, 2022, as a result of the depreciation of our motor vehicles. The carrying amount of our leasehold improvements increased from RMB17.8 million as of December 31, 2021 to

RMB47.5 million as of December 31, 2022, mainly related to the increased fit-out costs for the new offices. The carrying amount of our construction in progress decreased from RMB54.6 million as of December 31, 2021 to RMB16.4 million as of December 31, 2022, as the fit-out new offices were reclassified in leasehold improvements when we started to put the new offices into operation in 2022.

The carrying amount of our property, plant and equipment further increased from RMB233.8 million as of December 31, 2022 to RMB424.9 million as of September 30, 2023, primarily attributable to our business growth and the expansion of our nationwide store network, warehouses and logistics infrastructure. In particular, the carrying amount of our construction in progress increased from RMB16.4 million as of December 31, 2022 to RMB232.9 million as of September 30, 2023, primarily due to the construction of our new office building and a warehouse in Taizhou, Zhejiang, and our processing facility in Zhuji, Zhejiang. The carrying amount of our motor vehicles slightly increased from RMB50.2 million as of December 31, 2022 to RMB50.8 million as of September 30, 2023, as a combined effect of our purchases of more motor vehicles for transportation and the depreciation of our motor vehicles. The carrying amount of our leasehold improvements decreased from RMB47.5 million as of December 31, 2022 to RMB31.8 million as of September 30, 2023, primarily because the fit-out costs for the new offices were amortized over this period. The carrying amount of our machinery decreased from RMB97.6 million as of December 31, 2022 to RMB88.9 million as of September 30, 2023, mainly as a result of the depreciation of our machinery. The carrying amount of our office equipment decreased from RMB22.2 million as of December 31, 2022 to RMB20.4 million as of September 30, 2023, mainly as a result of the depreciation of our office equipment.

Right-of-Use Assets

Our right-of-use assets primarily consist of (i) office premises, company-operated stores and processing facility, and (ii) leasehold land. The carrying amount of our right-of-use assets increased from RMB126.6 million as of December 31, 2021 to RMB215.8 million as of December 31, 2022, primarily due to our newly procured leasehold land. The carrying amount of our right-of-use assets decreased to RMB183.0 million as of September 30, 2023, mainly as a result of the depreciation of our right-of-use assets.

Equity Investment Designated at Fair Value through Other Comprehensive Income

The equity investment designated at fair value through other comprehensive income represent our investment in the equity interests of a company, which also supplies us with milk and dairy products during our procurement process. See note 16 to the Accountants' Report in Appendix I to this document for details.

We recorded equity investment designated at fair value through other comprehensive income of RMB247.5 million and RMB277.1 million as of December 31, 2021 and 2022, respectively. We recorded equity investment designated at fair value through other comprehensive income of RMB275.7 million as of September 30, 2023. These changes were primarily due to fair value changes of the equity interests of the invested company.

Trade Payables

Our trade payables primarily include outstanding amounts due to our suppliers for our purchases. Our trade payables increased from RMB149.6 million as of December 31, 2021 to RMB389.5 million as of December 31, 2022, and further increased to RMB431.1 million as of September 30, 2023. The increase was mainly due to an increase in our purchase amounts and extended settlement cycles as a result of our increased bargaining power with suppliers.

The following table sets forth the aging analysis of our trade payables as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
			(Unaudited)
	(RMB in thousands)		
Trade payables:			
Within 3 months	148,733	387,123	420,165
3 to 6 months	102	2,236	6,019
6 months to 1 year	632	44	4,762
Over 1 year	124	140	139
Total	**149,591**	**389,543**	**431,085**

The following table sets forth our trade payable turnover days for the years/periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,
	2021	2022	2023
Trade payable turnover days[1]	21	25	29

Note:

(1) Trade payable turnover days for a period equals average balance of trade payables divided by cost of sales for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days, and the number of days for the nine months ended September 30 is 270 days.

Our trade payable turnover days increased from 21 days in 2021 to 25 days in 2022. Our trade payable turnover days further increased to 29 days for the nine months ended September 30, 2023, The increases were primarily attributable to better settlement terms with our suppliers.

As of November 30, 2023, approximately RMB404.7 million, or 93.9%, of our trade payables as of September 30, 2023 had been settled.

Other Payables and Accruals

Our other payables and accruals primarily consist of (i) payroll and welfare payable, (ii) tax payable other than corporate income tax, mainly representing value-added tax payable, (iii) deposits received, which are mainly from franchisees, (iv) other payables for property, plant and equipment, (v) accrued expenses, which are mainly related to delivery fees and marketing fees, (vi) payables to related parties arising from the Reorganization, and (vii) other payables, representing our miscellaneous payables.

The following table sets forth our other payables and accruals as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
			(Unaudited)
		(RMB in thousands)	
Other payables and accruals:			
Payroll and welfare payable	61,773	75,705	81,744
Tax payable other than corporate income tax	49,164	14,465	27,973
Deposits received	20,445	24,195	37,683
Other payables for property, plant and equipment	12,730	11,173	33,945
Accrued expenses	32,741	27,806	64,672
Due to related parties arising from the Reorganization	–	94,348	–
Other payables	4,693	3,521	5,731
Total	**181,546**	**251,213**	**251,748**

Our other payables and accruals increased from RMB181.5 million as of December 31, 2021 to RMB251.2 million as of December 31, 2022. The increase was mainly due to (i) an increase in payables to related parties arising from the Reorganization of RMB94.3 million, and (ii) an increase in payroll and welfare payable of RMB13.9 million, primarily attributable to an increase in the number of our employees.

Our other payables and accruals slightly increased from RMB251.2 million as of December 31, 2022 to RMB251.7 million as of September 30, 2023.

Tax Payables

Our tax payables decreased from RMB166.8 million as of December 31, 2021 to RMB53.4 million as of December 31, 2022, as some of our tax payments were settled in 2022. Our tax payables increased from RMB53.4 million as of December 31, 2022 to RMB68.3 million as of September 30, 2023, primarily attributable to an increase in our profit before tax, partially offset by the preferential income tax policies we enjoyed.

Contract Liabilities

Our contract liabilities mainly arise from the advance payments received from our franchisees for services yet to be provided. Our contract liabilities, including current and non-current portion, slightly decreased from RMB128.6 million as of December 31, 2021 to RMB117.3 million as of December 31, 2022, and further decreased to RMB109.4 million as of September 30, 2023, primarily as a result of less advance payments made by our franchisees at the end of respective periods.

Lease Liabilities

As of December 31, 2021 and 2022 and September 30, 2023, our lease liabilities, including current and non-current portion, amounted to RMB127.5 million, RMB106.3 million and RMB72.3 million, respectively. The decrease was due to an increase in our lease payments.

Financial Liabilities at Fair Value through Profit or Loss

In 2020, we issued redeemable ordinary shares to certain investors and further replaced the redeemable ordinary shares with warrants and convertible redeemable Series A preferred shares in 2022, which will be converted to ordinary shares upon the Listing. The investments from these investors were classified as financial liabilities and designated at fair value through profit or loss. See note 29 to the Accountants' Report in Appendix I to this document for details.

Our financial liabilities at fair value through profit or loss increased from RMB2,472.3 million as of December 31, 2021 to RMB2,861.8 million as of December 31, 2022. Our financial liabilities at fair value through profit or loss further increased to RMB2,883.5 million as of September 30, 2023. The increases were primarily due to the increase in the fair value of our convertible redeemable preferred shares as a result of changes in the valuation of our Company.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from cash flows from operating activities and capital contribution from shareholders. We had cash and cash equivalents of RMB151.8 million, RMB1,114.5 million, and RMB1,857.2 million as of December 31, 2021 and 2022 and September 30, 2023, respectively. Our cash and cash equivalents include cash on hand and cash at banks. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our operating activities, the net [**REDACTED**] from the [**REDACTED**], and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future.

Cash Flow Analysis

The following table sets forth our cash flows for the years/periods indicated.

	For the Year Ended December 31,		For the Nine Months Ended September 30,	
	2021	2022	2022	2023
			(Unaudited)	
	(RMB in thousands)			
Net cash flows from operating activities	267,470	1,011,162	755,138	1,206,286
Net cash flows (used in)/from investing activities	(237,595)	(57,341)	3,357	(466,655)
Net cash flows (used in)/from financing activities	(42,860)	5,315	(48,503)	2,541
Net (decrease)/increase in cash and cash equivalents	(12,985)	959,136	709,992	742,172
Effect of foreign exchange rate changes, net	(1,325)	3,524	5,685	564
Cash and cash equivalents at the beginning of the year/period	166,118	151,808	151,808	1,114,468
Cash and cash equivalents at end of the year/period	**151,808**	**1,114,468**	**867,485**	**1,857,204**

Net cash flows from operating activities

In the nine months ended September 30, 2023, net cash flows from operating activities were RMB1,206.3 million, primarily consisting of our profit before tax of RMB1,267.9 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB196.8 million. Adjustments for certain non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB56.1 million, (ii) depreciation of right-of-use assets of RMB45.6 million, and (iii) fair value changes of financial liabilities at fair value through profit or loss of RMB21.7 million. The amount was further adjusted by changes in working capital, which primarily result from (i) an increase in other payables and accruals of RMB72.1 million, (ii) an increase in trade payables of RMB41.5 million, and (iii) a decrease in inventories of RMB32.8 million, partially offset by (i) an increase in trade receivables of RMB22.6 million, (ii) an increase of contract assets of RMB26.0 million, and (iii) an increase in prepayments, other receivables and other assets of RMB65.6 million.

In 2022, net cash flows from operating activities were RMB1,011.2 million, primarily consisting of our profit before tax of RMB650.4 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB354.7 million. Adjustments for certain non-cash and non-operating items primarily include (i) fair value changes of financial liabilities at fair value through profit or loss of RMB389.5 million, (ii) depreciation of property, plant and equipment of RMB62.6 million, and (iii) depreciation of right-of-use assets of RMB54.7 million. The amount was further adjusted by changes in working capital, which primarily result from an increase in trade payables of RMB240.0 million, partially offset by a decrease in other payables and accruals of RMB23.1 million.

In 2021, net cash flows from operating activities were RMB267.5 million, primarily consisting of our profit before tax of RMB247.1 million, adjusted for certain non-cash and non-operating items, and income tax paid of RMB159.6 million. Adjustments for such non-cash and non-operating items primarily include (i) fair value changes of financial liabilities at fair value through profit or loss of RMB728.4 million, (ii) depreciation of right-of-use assets of RMB40.5 million, and (iii) depreciation of property, plant and equipment of RMB27.3 million. The amount was further adjusted by changes in working capital, which primarily result from (i) an increase in contract liabilities of RMB14.4 million, and (ii) an increase in other payables and accruals of RMB24.8 million, partially offset by (i) an increase in inventories of RMB488.1 million, (ii) an increase in prepayments, other receivables and other assets of RMB104.8 million, and (iii) a decrease in trade payables of RMB60.7 million.

Net cash flows used in investing activities

In the nine months ended September 30, 2023, net cash flows used in investing activities were RMB466.7 million, primarily attributable to (i) placement of RMB225.7 million of bank deposits with original maturity of more than three months when acquired, and (ii) purchases of items of property, plant and equipment of RMB257.9 million, partially offset by RMB119.4 million of proceeds from bank deposits with original maturity of more than three months when acquired.

In 2022, net cash flows used in investing activities were RMB57.3 million, primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB2,258.2 million, (ii) prepayment for the right-of-use of a parcel of leasehold land of RMB108.9 million, and (iii) purchases of items of property, plant and equipment of RMB90.1 million, partially offset by (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB2,473.4 million, and (ii) proceeds from disposal of items of property, plant, and equipment of RMB5.7 million.

In 2021, net cash flows used in investing activities were RMB237.6 million, primarily attributable to (i) purchase of financial assets at fair value through profit or loss of RMB5,369.4 million, (ii) purchase of equity investment designated at fair value through other comprehensive income of RMB247.5 million, and (iii) purchases of items of property, plant and equipment of RMB163.5 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB5,581.9 million.

Net cash flows (used in)/from financing activities

In the nine months ended September 30, 2023, net cash flows generated from financing activities were RMB2.5 million, primarily attributable to proceeds from interest-bearing other borrowings of RMB148.0 million, partially offset by (i) payment of capital reduction arising from the Reorganization of RMB94.3 million, and (ii) principal portion of lease payments of RMB46.9 million.

In 2022, net cash flows generated from financing activities were RMB5.3 million, primarily attributable to (i) proceeds from issuance of warrants and convertible redeemable preferred shares as a part of the Reorganization of RMB649.0 million, and (ii) capital contribution from the then shareholders of a subsidiary of RMB66.8 million, partially offset by (i) repayment of redeemable capital contribution arising from the Reorganization of RMB649.0 million, and (ii) principal portion of lease payments of RMB56.0 million.

In 2021, net cash flows used in financing activities were RMB42.9 million, attributable to (i) principal portion of lease payments of RMB37.8 million, and (ii) interest portion of lease payments of RMB5.1 million.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated.

	As of December 31,		As of September 30,	As of November 30,
	2021	2022	2023	2023
			(Unaudited)	
	(RMB in thousands)			
Current				
Lease liabilities	44,664	52,196	46,992	47,761
Interest-bearing other borrowings	–	–	148,048	151,048
Financial liabilities at fair value through profit or loss	2,472,275	2,861,798	2,883,467	2,900,808
Subtotal	2,516,939	2,913,994	3,078,507	3,099,617
Non-current				
Lease liabilities	82,866	54,144	25,346	28,309
Total	**2,599,805**	**2,968,138**	**3,103,853**	**3,127,926**

Lease Liabilities

As of December 31, 2021 and 2022 and September 30, 2023, our lease liabilities, including current and non-current portion, amounted to RMB127.5 million, RMB106.3 million and RMB72.3 million, respectively. For further information regarding our lease liabilities, see note 14 to the Accountants' Report in Appendix I to this document.

Interest-bearing Other Borrowings

As of December 31, 2021 and 2022 and September 30, 2023, our interest-bearing other borrowings amounted to nil, nil and RMB148.0 million, respectively. For further information regarding our interest-bearing other borrowings, see note 28 to the Accountants' Report in Appendix I to this document.

Financial Liabilities at Fair Value through Profit or Loss

As of December 31, 2021 and 2022 and September 30, 2023, our financial liabilities at fair value through profit or loss amounted to RMB2,472.3 million, RMB2,861.8 million and RMB2,883.5 million. For further information regarding our financial liabilities at fair value through profit or loss, see note 29 to the Accountants' Report in Appendix I to this document.

Contingent Liabilities or Guarantees

During the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities or guarantees.

No Other Outstanding Indebtedness

Except as disclosed above, as of November 30, 2023, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities.

For the maturity analysis of our financial liabilities, please refer to note 40(c) to the Accountant's Report in Appendix I to this document.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purchases of property, plant and equipment, purchases of other intangible assets, and purchases of right-of-use assets. Our capital expenditures were RMB164.6 million, RMB199.1 million and RMB257.9 million in 2021 and 2022, and in the nine months ended September 30, 2023, respectively.

We are constructing a processing facility in Zhuji, Zhejiang. For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, we incurred capital expenditures related to the construction of the processing facility of nil, RMB54.0 million and RMB116.0 million, respectively. We expect that the construction will be completed in 2024.

We are also constructing a warehouse and an office building in Taizhou, Zhejiang. For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, we incurred capital expenditures related to the warehouse's construction of nil, RMB45.9 million and RMB64.1 million, respectively. For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, we incurred capital expenditures related to the office building's construction of nil, RMB25.1 million and RMB57.5 million, respectively. We expect that the construction will be completed in 2024.

We intend to fund our future capital expenditures with our existing cash balance, cash generated primarily from operating activities. See the section headed "Future Plans and Use of [**REDACTED**]" for more details. We may reallocate the fund to be utilized on capital expenditures and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments during the Track Record Period were related to the capital expenditures of property, plant and equipment contracted for but not provided in the historical financial information. Our capital commitments increased from RMB11.9 million as of December 31, 2021 to RMB266.0 million as of December 31, 2022, then increased to RMB334.0 million as of September 30, 2023, as a result of the ongoing construction and completion of our warehouses, processing facilities and office building to support our business expansion.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios for the years/periods indicated.

	For the Year Ended December 31,		For the Nine Months ended September 30,
	2021	2022	2023
Adjusted profit margin (non-IFRS measure)(1)	17.6%	14.2%	18.7%
Adjusted EBITDA margin (non-IFRS measure)(2)	24.3%	21.3%	24.8%
Adjusted current ratio(3)	2.2	2.7	3.4
Adjusted quick ratio(4)	1.1	1.8	2.7

Notes:

(1) Adjusted profit margin (non-IFRS measure) represents adjusted profit (non-IFRS measure) as a percentage of the revenue for such year/period.

(2) Adjusted EBITDA margin (non-IFRS measure) represents adjusted EBITDA (non-IFRS measure) as a percentage of the revenue for such year/period.

(3) Adjusted current ratio represents current assets divided by the difference of current liabilities and financial liabilities at fair value through profit or loss at the end of year/period. Financial liabilities at fair value through profit or loss were excluded from the denominator since they are neither operating in nature nor indicative of our core operating results and business outlook. We do not expect to record any further fair value changes of such item after [**REDACTED**] as preferred shares liabilities will be reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**].

(4) Adjusted quick ratio represents the difference of current assets and inventories divided by the difference of current liabilities and financial liabilities at fair value through profit or loss at the end of year/period. Financial liabilities at fair value through profit or loss were excluded from the denominator since they are neither operating in nature nor indicative of our core operating results and business outlook. We do not expect to record any further fair value changes of such item after [**REDACTED**] as preferred shares liabilities will be reclassified from liabilities to equity as a result of the automatic conversion into ordinary shares upon the [**REDACTED**].

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as Shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For more details about our related party transactions, see note 37 to the Accountants' Report in Appendix I to this document.

Our Directors are of the view that our transactions with related parties during the Track Record Period were conducted on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risks (such as foreign currency risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our Board reviewed and agreed the following risk management policies. See note 40 to the Accountants' Report in Appendix I to this document for a detailed description of our financial risk management.

Foreign Currency Risk

Foreign currency risk arises from recognized assets and liabilities denominated in a currency other than the functional currency of our entities. We operate mainly in the PRC with most of the transactions settled in Renminbi. We seek to limit our exposure to foreign currency risk by minimizing our net foreign currency position. We consider that our business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities of ours are denominated in the currencies other than the respective functional currencies of our entities, so that we do not hedge against any fluctuation in foreign currency.

Credit Risk

Credit risk mainly arises from cash and bank balances, trade receivables, contract assets and financial assets included in prepayments, other receivables and other assets. The carrying amount of these financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets. See note 40(b) to the Accountants' Report in Appendix I to this document for further information relating to our credit risk.

Our cash and bank balances were deposited with high-credit-quality financial institutions without significant credit risk. There has been no recent history of default in relation to these financial institutions. The expected credit loss is not material.

We maintain strict control over our outstanding trade receivables and contract assets and has a credit control department to minimize credit risk. We have policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and perform ongoing credit evaluations of our counterparties. We assess the credit quality of our counterparties by taking into account various factors including their financial position, past operational and financial performance and forward-looking factors. We also have other monitoring procedures to ensure that follow-up action is taken to recover overdue trade receivables and contract assets. In addition, we review regularly the recoverable amount of trade receivables and contract assets to ensure that adequate impairment losses are made. As of December 31, 2021 and 2022 and September 30, 2023, the expected credit loss rate for trade receivables and contract assets was assessed to be minimal.

We make periodic collective assessments for financial assets included in prepayments, other receivables and other assets, as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. We also continuously monitor their credit risk. There has been no recent history of default in relation to such financial assets. The expected loss allowance was assessed to be minimal.

For the analysis of the credit quality and the maximum exposure to credit risk based on our credit policy, see note 40(b) to the Accountants' Report in Appendix I to this document.

Liquidity Risk

We monitor and maintain a level of cash and bank balances deemed adequate by our management to finance the operations and mitigate the effects of fluctuations of cash flows. For the analysis of our financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date, see note 40(c) to the Accountants' Report in Appendix I to this document.

DIVIDEND POLICY

We did not declare or distribute dividends to our shareholders during the Track Record Period. We may pay cash dividends on our ordinary shares in the foreseeable future.

The decision on whether to pay dividends will be made at the discretion of our Directors and will depend upon, among others, the financial results, cash flows, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Directors may consider relevant. We do not have a pre-determined dividend payout ratio. As advised by our legal advisor on Cayman Islands law, Ogier, under the laws of the Cayman Islands, a position of accumulated losses does not necessarily restrict us to declare and pay dividends to our shareholders as dividends may be declared and paid out of our share premium account notwithstanding our profitability, provided that this would not result in our Company being unable to pay debts as they fall due in the ordinary course of business.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends shall be paid only out of the profit for the year determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require our subsidiaries to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Dividend distribution to our shareholders is recognized as a liability in the period in which the dividends are approved by our shareholders or Directors, where appropriate.

WORKING CAPITAL SUFFICIENCY

Taking into account the financial resources available to us, including our cash and cash equivalents on hand and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. Our Directors confirm that we had no material defaults on trade and non-trade payables and borrowings, nor did we breach any covenants during the Track Record Period and up to the date of this document.

DISTRIBUTABLE RESERVES

As of September 30, 2023, the Company did not have distributable reserves available for distribution to its shareholders.

[**REDACTED**]

Based on the mid-point [**REDACTED**] of [**REDACTED**], the total estimated [**REDACTED**] in relation to the [**REDACTED**] is approximately [**REDACTED**] million, assuming no new Shares are issued under the [**REDACTED**]. During the Track Record Period, the [**REDACTED**] charged to consolidated statement of profit or loss and comprehensive income were [**REDACTED**] million. We estimate that we will incur [**REDACTED**] of [**REDACTED**] million, of which [**REDACTED**] million will be charged to our consolidated statement of profit or loss and comprehensive income. The balance of approximately [**REDACTED**] million, which mainly includes [**REDACTED**], is expected to be accounted for as a deduction from equity upon the completion of the [**REDACTED**].

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2022 as if the [**REDACTED**] had taken place on that date.

This unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of our Company as of December 31, 2022 or at any future dates following the [**REDACTED**].

	Consolidated net tangible liabilities of our Group attributable to owners of our Company as of December 31, 2022	Estimated net [REDACTED] from the [REDACTED]	Estimated impact to the consolidated net tangible assets of our Group attributable to owners of our Company upon conversion of convertible redeemable preferred shares	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2022	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per share as of December 31, 2022	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*	*(Note 3)*		*(Note 4)*	*(Note 5)*
Based on an [REDACTED] of [REDACTED] per Share . .	(832,855)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of [REDACTED] per Share . .	(832,855)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of [REDACTED] per Share . .	(832,855)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible liabilities of our Group attributable to owners of our Company as of December 31, 2022 is based on consolidated net liabilities of our Group attributable to owners of our Company as of December 31, 2022 of approximately RMB832,382,000, after netting off other intangible assets of our Group as at 31 December 2022 of approximately RMB473,000 as shown in the Accountants' Report set out in Appendix I to this document.

(2) The estimated net [**REDACTED**] from the [**REDACTED**] are based on estimated [**REDACTED**] of [**REDACTED**], [**REDACTED**] and [**REDACTED**] per Share, after deduction of [**REDACTED**] and other [**REDACTED**] related expenses payable by our Company (excluding [**REDACTED**] which have been recognized in profit or loss during the Track Record Period) and do not take into account any share which may be sold and [**REDACTED**] upon exercise of the [**REDACTED**].

(3) Upon the [**REDACTED**] and the completion of the [**REDACTED**], all the preferred shares will be automatically converted into ordinary shares of our Company. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets, had the conversion of preferred shares into ordinary shares of our Company been completed as of 31 December 2022, the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company will be increased by [**REDACTED**], being the carrying amounts of the preferred shares as of December 31, 2022.

(4) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is arrived at after adjustments referred to notes 2 and 3 above and on the basis that [**REDACTED**] shares are in issue, assuming that the conversion of preferred shares into ordinary shares of our Company and the [**REDACTED**] had been completed on December 31, 2022, without taking into account of any shares which may be allotted and issued upon the exercise of the [**REDACTED**].

(5) For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at an exchange rate of HK$1 to RMB0.9086. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.

(6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible (liabilities)/assets of our Group to reflect any trading results or other transactions for our Group entered into subsequent to December 31, 2022.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since September 30, 2023, being the end date of our latest consolidated financial statements, and there has been no event since September 30, 2023 that would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

For a detailed description of our future plans, see "Business — Our Growth Strategies."

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately [**REDACTED**] million based on an [**REDACTED**] of [**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**]) and assuming no exercise of the [**REDACTED**], or [**REDACTED**] million if the [**REDACTED**] is exercised in full, after deducting [**REDACTED**] and [**REDACTED**] and other estimated [**REDACTED**] paid and payable by us in relation to the [**REDACTED**].

In line with our strategies, we plan to use the net [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- **approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED] million, will be used to strengthen our information technology team and continue to digitalize our business management and store operations. For more details, see "Business — Our Growth Strategies — Enhance Our Technologies to Improve Operating Efficiency." In particular,**

  ◦ approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to recruit additional talents with expertise in information technology, including software engineers, data engineers, website and mini program developers, among others, to strengthen various aspects of our information technology system and support the continual improvement of our technology-driven platform capabilities;

  ◦ approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to strengthen our technologies related to business management and intelligent decision-making. Through purchasing technology infrastructure services, such as cloud services, and investing in our own research and development, we will enhance our technologies to continue to digitalize and automate our business management system, enabling more efficient coordination within our internal teams and between us and our franchisees or other business partners. In addition, we will strengthen our business intelligence tools to further optimize our operations; and

  ◦ approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to upgrade our "smart store" systems which integrate software and smart appliances and further automate our store operations. We will continue to improve the modules we provide to our stores, including our order processing module and ingredient expiration management module, among others, to improve store operation efficiency. We will also continue to optimize our stores' services, for example, by improving our mini programs to achieve easier order placement.

- **approximately [REDACTED] of the net [REDACTED], or approximately HK$[REDACTED] million, will be used to enhance our supply chain capabilities and improve our supply chain management efficiency. For more details, see "Business — Our Growth Strategies — Enhance Our Supply Chain Capabilities." In particular,**

  - approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to invest in warehouses and processing facilities. To support our store network expansion and ensure that we provide consistent, fresh and high-quality ingredients to our stores, we expect to extend our warehousing infrastructure by operating new warehouses, with cold storage capabilities, in provinces where we plan to have dense store networks in the next three to five years. We intend to invest in intelligent equipment for our warehouses, which will support automatic storage, packaging, inventory management and information tracking, to enhance our warehouse operating efficiency. We also plan to invest in our processing facilities to continue to strengthen our ingredient processing capability;

  - approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to invest in our freight vehicles and vehicle management systems. In connection with the expanding warehousing infrastructure, we expect to strengthen our logistics infrastructure by increasing and upgrading our freight vehicles. We also intend to strengthen our proprietary transportation management module which uses advanced algorithms to optimize delivery routes, thereby reducing our logistics cost and improving our logistics efficiency; and

  - approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to recruit additional employees to manage or operate the expanded warehousing and logistics infrastructure, which will further strengthen our supply chain capabilities.

- **approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED] million, will be used to strengthen our branding and consumer engagement efforts and implement diversified approaches to build our brand image and increase consumer awareness. For more details, see "Business — Our Growth Strategies — Strengthen Our Branding and Consumer Engagement Efforts." In particular,**

  - approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to build and upgrade our brand image. We will launch diverse marketing campaigns. For example, we will leverage online marketing methods such as developing creative online promotional content and collaborating with key opinion leaders. We will use diverse online social media and content platforms to further enhance consumer interaction. We also expect to launch new collaborations with other brands.

  ◦ approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be invested in our membership program. We plan to recruit additional employees dedicated to consumer engagement to help foster our members' community in order to expand our membership base and facilitate the acquisition and retention of members. We also expect to offer more interactive member activities and adopt more tailored consumer engagement strategies in order to improve consumer experience and encourage repurchases.

- **approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED] million, will be used to recruit additional employees for franchisee management as we continue to execute our regional densification strategy, strengthen our support for franchisees and further foster a close franchisee community. For more details, see "Business — Our Growth Strategies — Expand Our Store Network and Solidify Our Industry-leading Position." In particular,**

  ◦ approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to recruit additional employees for franchisee management as we expand our store network under the regional densification strategy, and work with an increasing number of franchisees. We expect to recruit additional employees to engage in business development, franchisee onboarding, franchisee trainings, operational support, and store inspections. We intend to strengthen our support for franchisees across all stages of their business endeavor, from the early steps such as site selection to the day-to-day management of well-established stores. We will also enhance our store inspection capabilities to maintain comprehensive store supervisions as our store network expands; and

  ◦ approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to further strengthen our relationship with franchisees and foster a close franchisee community. We will continue to host franchisee events, such as annual nationwide franchisee meetings, to solidify our relationship with franchisees and attract new franchisees.

- **approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED] million, will be used to recruit experts in product development and enhance our product development capabilities. For more details, see "Business — Our Growth Strategies — Continue to Invest in Product Research and Development to Refine and Expand Our Product Offerings." In particular,**

  - ◦ approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to recruit additional talents including experts in food science and engineering, food processing and safety, food biology, among others, to join our product research and development team. We also expect to invest in further collaborations with universities and research institutions to enhance our fundamental research capabilities; and

  - ◦ approximately [**REDACTED**] of the net [**REDACTED**], or approximately [**REDACTED**] million, will be used to invest in equipment used in product development. We expect to purchase advanced equipment to support our research on ingredients and beverages. We plan to provide our product research and development team with a microbial testing laboratory and an atmospheric pressure laboratory, among others, to facilitate the research and development of smart appliances for our stores, thereby providing consistent and high-quality beverages to our consumers.

- **approximately [REDACTED] of the net [REDACTED], or approximately [REDACTED] million, is expected to be used for working capital and other general corporate purposes.**

In the event that the [**REDACTED**] is fixed at the high or low end of the indicative [**REDACTED**], the net [**REDACTED**] of the [**REDACTED**] will increase or decrease by approximately [**REDACTED**] million. If we make an upward or downward [**REDACTED**] adjustment to set the final [**REDACTED**] to be above or below the mid-point of the [**REDACTED**], we will increase or decrease the allocation of the net [**REDACTED**] to the above purposes on a pro rata basis.

The additional net [**REDACTED**] that we would receive if the [**REDACTED**] were exercised in full would be (i) [**REDACTED**] million (assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the Maximum [**REDACTED**]), (ii) [**REDACTED**] million (assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**]) and (iii) [**REDACTED**] million (assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the Minimum [**REDACTED**]).

To the extent that the net [**REDACTED**] from the [**REDACTED**] (including the net [**REDACTED**] from the exercise of the [**REDACTED**]) are either more or less than expected, we may adjust our allocation of the net [**REDACTED**] for the above purposes on a pro rata basis.

To the extent that the net [**REDACTED**] of the [**REDACTED**] are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits at authorized financial institutions and/or licensed banks (as defined under the SFO and/or applicable laws and regulations in relevant jurisdictions) so long as it is deemed to be in the best interests of the Company.

[**REDACTED**]

[**REDACTED**]

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The following is the text of a report on Guming Holdings Limited, prepared for the purpose of incorporation in this document received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUMING HOLDINGS LIMITED, GOLDMAN SACHS (ASIA) L.L.C. AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of Guming Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-80, which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2021 and 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021 and 2022, and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-80 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "Document") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021 and 2022, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statement of financial position of the Group as at 30 September 2023, the statement of financial position of the Company as at 30 September 2023 and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the nine months ended 30 September 2022 and 2023, and other explanatory information (the "Interim Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]
Certified Public Accountants
Hong Kong

[**REDACTED**]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		Nine months ended 30 September	
	Notes	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	*(Unaudited)*
REVENUE	*5*	4,383,901	5,559,222	4,161,679	5,570,882
Cost of sales		(3,070,196)	(3,996,290)	(3,005,140)	(3,844,469)
Gross profit		1,313,705	1,562,932	1,156,539	1,726,413
Other income and gains	*5*	47,598	57,477	40,873	125,879
Selling and distribution expenses		(186,193)	(268,143)	(197,097)	(239,291)
Administrative expenses		(123,745)	(187,605)	(129,473)	(180,689)
Research and development expenses		(65,030)	(118,288)	(77,952)	(129,055)
Other expenses		(5,775)	(1,069)	(381)	(9,434)
OPERATING PROFIT		980,560	1,045,304	792,509	1,293,823
Finance costs	*7*	(5,079)	(5,424)	(4,156)	(4,299)
Fair value changes of financial liabilities at fair value through profit or loss	*29*	(728,388)	(389,523)	(310,322)	(21,669)
PROFIT BEFORE TAX	*6*	247,093	650,357	478,031	1,267,855
Income tax expense	*10*	(223,101)	(278,332)	(202,564)	(265,818)
PROFIT FOR THE YEAR/PERIOD		23,992	372,025	275,467	1,002,037
Attributable to:					
Owners of the parent		20,139	366,619	270,718	990,033
Non-controlling interests		3,853	5,406	4,749	12,004
		23,992	372,025	275,467	1,002,037
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	*12*	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December		Nine months ended 30 September	
		2021	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
PROFIT FOR THE YEAR/PERIOD		23,992	372,025	275,467	1,002,037
OTHER COMPREHENSIVE INCOME					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences:					
Exchange differences on translation of foreign operations		–	(4,411)	117	1,346
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		–	(4,411)	117	1,346
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:					
Equity investment designated at fair value through other comprehensive income:					
Change in fair value	*16*	–	29,573	18,360	(1,383)
Income tax effect	*18*	–	(4,880)	(3,029)	229
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		–	24,693	15,331	(1,154)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX		–	20,282	15,448	192
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		23,992	392,307	290,915	1,002,229
Attributable to:					
Owners of the parent		20,139	386,901	286,166	990,225
Non-controlling interests		3,853	5,406	4,749	12,004
		23,992	392,307	290,915	1,002,229

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2021	31 December 2022	30 September 2023
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	192,462	233,814	424,892
Right-of-use assets	*14(a)*	126,635	215,751	182,992
Other intangible assets	*15*	2,170	473	198
Equity investment designated at fair value through other comprehensive income	*16*	247,500	277,073	275,690
Other non-current assets	*17*	24,262	3,337	29,585
Deferred tax assets	*18*	42,932	46,661	27,038
Long-term bank deposits	*24*	40,000	90,000	40,000
Total non-current assets		675,961	867,109	980,395
CURRENT ASSETS				
Inventories	*19*	706,789	705,560	672,720
Trade receivables	*20*	34,401	37,511	60,104
Contract assets	*21*	–	–	25,985
Prepayments, other receivables and other assets	*22*	232,862	236,945	307,583
Financial assets at fair value through profit or loss	*23*	241,679	37,346	30,961
Restricted cash	*24*	–	–	148,048
Cash and bank balances	*24*	151,808	1,147,205	2,046,204
Total current assets		1,367,539	2,164,567	3,291,605
CURRENT LIABILITIES				
Trade payables	*25*	149,591	389,543	431,085
Other payables and accruals	*26*	181,546	251,213	251,748
Tax payables		166,809	53,372	68,303
Contract liabilities	*27*	65,335	57,520	20,834
Interest-bearing other borrowings	*28*	–	–	148,048
Financial liabilities at fair value through profit or loss	*29*	2,472,275	2,861,798	2,883,467
Lease liabilities	*14(b)*	44,664	52,196	46,992
Total current liabilities		3,080,220	3,665,642	3,850,477
NET CURRENT LIABILITIES		(1,712,681)	(1,501,075)	(558,872)
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,036,720)	(633,966)	421,523

	Notes	31 December 2021	31 December 2022	30 September 2023
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
NON-CURRENT LIABILITIES				
Deferred tax liabilities	*18*	22,997	68,712	102,959
Contract liabilities	*27*	63,228	59,772	88,602
Lease liabilities	*14(b)*	82,866	54,144	25,346
Total non-current liabilities		169,091	182,628	216,907
NET ASSETS/(LIABILITIES)		(1,205,811)	(816,594)	204,616
EQUITY				
Equity attributable to owners of the parent				
Share capital	*30*	112	112	112
Reserves	*31*	(1,216,305)	(832,494)	176,712
		(1,216,193)	(832,382)	176,824
Non-controlling interests		10,382	15,788	27,792
TOTAL EQUITY/(DEFICIENCY IN ASSETS)		(1,205,811)	(816,594)	204,616

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Accumulated losses*	Sub-total	Non-controlling interests	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 30)	*(Note 31)*	*(Note 31)*	*(Note 31)*				
As at 1 January 2021	–	105,582	6,075	–	(1,365,215)	(1,253,558)	6,529	(1,247,029)
Profit and total comprehensive income for the year	–	–	–	–	20,139	20,139	3,853	23,992
Issuance of ordinary shares	112	(112)	–	–	–	–	–	–
Equity-settled share option arrangements	–	17,226	–	–	–	17,226	–	17,226
Transfer from retained earnings	–	–	38,831	–	(38,831)	–	–	–
As at 31 December 2021	112	122,696	44,906	–	(1,383,907)	(1,216,193)	10,382	(1,205,811)

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Accumulated losses*	Sub-total	Non-controlling interests	Total deficits
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 30)	*(Note 31)*	*(Note 31)*		*(Note 31)*				
As at 1 January 2022	112	122,696	44,906	–	–	(1,383,907)	(1,216,193)	10,382	(1,205,811)
Profit for the year	–	–	–	–	–	366,619	366,619	5,406	372,025
Other comprehensive income for the year:									
Change in fair value of equity investment at fair value through other comprehensive, net of tax	–	–	–	24,693	–	–	24,693	–	24,693
Exchange differences on translation of foreign operations	–	–	–	–	(4,411)	–	(4,411)	–	(4,411)
Total comprehensive income for the year	–	–	–	24,693	(4,411)	366,619	386,901	5,406	392,307
Capital contribution from the then shareholders of a subsidiary	–	66,782	–	–	–	–	66,782	–	66,782
Capital reduction arising from the Reorganization	–	(94,348)	–	–	–	–	(94,348)	–	(94,348)
Equity-settled share option arrangements	–	24,476	–	–	–	–	24,476	–	24,476
Transfer from retained earnings	–	–	159,703	–	–	(159,703)	–	–	–
As at 31 December 2022	112	119,606	204,609	24,693	(4,411)	(1,176,991)	(832,382)	15,788	(816,594)

	Attributable to owners of the parent								
	Share capital	**Capital reserve***	**Statutory surplus reserve***	**Fair value reserve of financial assets at fair value through other comprehensive income***	**Exchange fluctuation reserve***	**Accumulated losses***	**Sub-total**	**Non-controlling interests**	**Total deficits**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	(Note 30)	*(Note 31)*	*(Note 31)*		*(Note 31)*				
As at 1 January 2022	112	122,696	44,906	–	–	(1,383,907)	(1,216,193)	10,382	(1,205,811)
Profit for the period	–	–	–	–	–	270,718	270,718	4,749	275,467
Other comprehensive income for the period:									
Change in fair value of equity investment at fair value through other comprehensive, net of tax	–	–	–	15,331	–	–	15,331	–	15,331
Exchange differences on translation of foreign operations	–	–	–	–	117	–	117	–	117
Total comprehensive income for the period	–	–	–	15,331	117	270,718	286,166	4,749	290,915
Capital reduction arising from the Reorganization	–	(94,348)	–	–	–	–	(94,348)	–	(94,348)
Equity-settled share option arrangements	–	17,389	–	–	–	–	17,389	–	17,389
Transfer from retained earnings	–	–	157,075	–	–	(157,075)	–	–	–
As at 30 September 2022	112	45,737	201,981	15,331	117	(1,270,264)	(1,006,986)	15,131	(991,855)

	Attributable to owners of the parent								
	Share capital	Capital reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Exchange fluctuation reserve*	Accumulated losses*	Sub-total	Non-controlling interests	(Total deficits)/total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	(Note 30)	*(Note 31)*	*(Note 31)*		*(Note 31)*				
As at 1 January 2023	112	119,606	204,609	24,693	(4,411)	(1,176,991)	(832,382)	15,788	(816,594)
Profit for the period	–	–	–	–	–	990,033	990,033	12,004	1,002,037
Other comprehensive income for the period:									
Change in fair value of equity investment at fair value through other comprehensive, net of tax	–	–	–	(1,154)	–	–	(1,154)	–	(1,154)
Exchange differences on translation of foreign operations	–	–	–	–	1,346	–	1,346	–	1,346
Total comprehensive income for the period	–	–	–	(1,154)	1,346	990,033	990,225	12,004	1,002,229
Equity-settled share option arrangements	–	18,981	–	–	–	–	18,981	–	18,981
Transfer from retained earnings	–	–	52,410	–	–	(52,410)	–	–	–
As at 30 September 2023	112	138,587	257,019	23,539	(3,065)	(239,368)	176,824	27,792	204,616

* These reserve accounts comprise the deficits of RMB1,216,305,000 and RMB832,494,000, and the reserves of RMB176,712,000 (unaudited) in the consolidated statements of financial position as at 31 December 2021 and 2022, and 30 September 2023, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		Nine months ended 30 September	
		2021	2022	2022	2023
		RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		247,093	650,357	478,031	1,267,855
Adjustments for:					
Depreciation of property, plant and equipment	*13*	27,347	62,579	46,145	56,051
Depreciation of right-of-use assets	*14(a)*	40,464	54,671	39,569	45,617
Amortisation of other intangible assets	*15*	2,059	1,697	1,576	275
Losses/(gains) on disposal of items of property, plant and equipment	*6*	–	(186)	(170)	402
Fair value changes of financial assets at fair value through profit or loss	*5*	(16,289)	(10,933)	(7,827)	(1,721)
Fair value changes of financial liabilities at fair value through profit or loss	*29*	728,388	389,523	310,322	21,669
Equity-settled share-based payment expenses	*6*	17,226	24,476	17,389	18,981
Interest income	*5*	(2,181)	(5,375)	(3,662)	(35,583)
Finance costs	*7*	5,079	5,424	4,156	4,299
Foreign exchange differences, net	*6*	1,325	(7,935)	(5,568)	782
		1,050,511	1,164,298	879,961	1,378,627
Decrease/(increase) in inventories		(488,124)	1,229	162,292	32,840
Increase in trade receivables		(9,033)	(3,110)	(11,818)	(22,593)
Increase in contract assets		–	–	–	(25,985)
Increase in prepayments, other receivables and other assets		(104,803)	(2,149)	(29,957)	(65,612)
Increase/(decrease) in trade payables		(60,712)	239,952	59,092	41,542
Increase/(decrease) in other payables and accruals		24,835	(23,124)	(23,107)	72,111
Increase/(decrease) in contract liabilities		14,388	(11,271)	(5,248)	(7,856)
Cash generated from operations		427,062	1,365,825	1,031,215	1,403,074
Income tax paid		(159,592)	(354,663)	(276,077)	(196,788)
Net cash flows from operating activities		267,470	1,011,162	755,138	1,206,286

		Year ended 31 December		Nine months ended 30 September	
	Notes	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	*(Unaudited)*
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(163,533)	(90,117)	(74,708)	(257,864)
Proceeds from disposal of items of property, plant and equipment		1,112	5,740	5,356	6,857
Purchases of intangible assets	*15*	(1,077)	–	–	–
Prepayment for the right-of-use assets of a parcel of leasehold land	*14(a)*	–	(108,934)	(107,215)	–
Purchase of financial assets at fair value through profit or loss		(5,369,398)	(2,258,175)	(2,159,400)	(135,880)
Proceeds from disposal of financial assets at fair value through profit or loss		5,581,928	2,473,441	2,348,345	143,986
Purchase of equity investment designated at fair value through other comprehensive income		(247,500)	–	–	–
Purchase of bank deposits with original maturity of more than three months when acquired	*24*	(40,000)	(82,737)	(10,000)	(225,709)
Proceeds from bank deposits with original maturity of more than three months when acquired	*24*	–	–	–	119,446
Interest received		873	3,441	979	30,557
Increase in restricted cash		–	–	–	(148,048)
Net cash flows from/(used in) investing activities		(237,595)	(57,341)	3,357	(466,655)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital contribution from the then shareholders of a subsidiary		–	66,782	–	–
Repayment of redeemable capital contribution arising from the Reorganisation		–	(648,976)	(309,040)	(9,568)
Proceeds from issuance of warrants and convertible redeemable preferred shares of the Company		–	648,976	309,040	9,568
Payment of capital reduction arising from the Reorganization		–	–	–	(94,348)
Proceeds from interest-bearing other borrowings		–	–	–	148,048
Interest paid		–	–	–	(1,170)
Principal portion of lease payments	*33*	(37,781)	(56,043)	(44,347)	(46,860)
Interest portion of lease payments	*33*	(5,079)	(5,424)	(4,156)	(3,129)
Net cash flows from/(used in) financing activities		(42,860)	5,315	(48,503)	2,541

		Year ended 31 December		Nine months ended 30 September	
	Notes	**2021**	**2022**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	*(Unaudited)*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(12,985)	959,136	709,992	742,172
Cash and cash equivalents at beginning of year/period		166,118	151,808	151,808	1,114,468
Effect of foreign exchange rate changes, net		(1,325)	3,524	5,685	564
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		151,808	1,114,468	867,485	1,857,204
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances		151,808	1,147,205	867,485	2,046,204
Long-term bank deposits		40,000	90,000	50,000	40,000
Cash and bank balances and long-term bank deposits as stated in the consolidated statements of financial position	*24*	191,808	1,237,205	917,485	2,086,204
Less: non-pledged bank deposits with original maturity of more than three months when acquired	*24*	(40,000)	(122,737)	(50,000)	(229,000)
Cash and cash equivalents as stated in the consolidated statements of cash flows		151,808	1,114,468	867,485	1,857,204

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		31 December		30 September
	Notes	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
				(Unaudited)
NON-CURRENT ASSETS				
Investments in subsidiaries	*1*	–	711,480	730,461
Total non-current assets		–	711,480	730,461
CURRENT ASSETS				
Other receivables	*22*	–	9,568	–
Cash and bank balances		–	–*	–*
Total current assets		–	9,568	–*
CURRENT LIABILITIES				
Other payables	*26*	–	9,568	–
Financial liabilities at fair value through profit or loss	*29*	–	2,861,798	2,883,467
Total current liabilities		–	2,871,366	2,883,467
NET CURRENT LIABILITIES		–	(2,861,798)	(2,883,467)
NET LIABILITIES		–	(2,150,318)	(2,153,006)
EQUITY				
Share capital	*30*	112	112	112
Reserves	*31*	(112)	(2,150,430)	(2,153,118)
DEFICIENCY IN ASSETS		–	(2,150,318)	(2,153,006)

* The amount is less than RMB1,000.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands on 31 August 2021. The registered office address of the Company is 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods and the nine months ended 30 September 2022 and 2023, the Company's subsidiaries were involved in the operation of a franchised retail network and trading of ingredients and other related products of freshly-made beverages and equipment in the People's Republic of China (the "PRC").

The Company and its subsidiaries (collectively the "Group") underwent the Reorganization as set out in the paragraph headed "History, Reorganization and Corporate Structure" in the document. The Reorganization was completed on 18 May 2022. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Information about subsidiaries

As at the date of this report, particulars of the Company's subsidiaries are as follows:

Name	Notes	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Guming Holdings (BVI) Limited	(1)	BVI 13 September 2021	US$1	100%	–	Investment holding
Industry Consolidation (BVI) Limited	(1)	BVI 13 September 2021	US$1	100%	–	Investment holding
Guming (Hong Kong) Limited ("古茗(香港)有限公司")	(2)	Hong Kong 22 November 2021	HK$1	–	100%	Investment holding
Monoceros Orion Limited ("獵麒麟有限公司")	(2)	Hong Kong 03 December 2021	HK$1	–	100%	Investment holding
Hong Kong Hercules Trading Limited ("香港天市貿易有限公司")	(4)	Hong Kong 24 October 2023	HK$1	–	100%	Investment holding
Guming Technology Group Co., Ltd. ("古茗科技集團有限公司")	(3)	PRC/Chinese Mainland 12 June 2018	RMB360,000,000	–	100%	Provision of franchise management service and research and development
Zhejiang Lichuan Food Technology Co., Ltd. ("浙江勵川食品科技有限公司")	(5)	PRC/Chinese Mainland 02 June 2020	RMB10,000,000	–	70%	Processing and sale of goods and equipment
Zhejiang Guming Houan Information Technology Co., Ltd. ("浙江古茗後岸信息技術有限公司")	(6)	PRC/Chinese Mainland 21 September 2020	RMB20,000,000	–	100%	Development of information technology
Zhejiang Mingxingpei Supply Chain Co., Ltd. ("浙江茗星配供應鏈有限公司")	(4)	PRC/Chinese Mainland 08 April 2022	RMB100,000,000	–	100%	Warehousing and logistics management
Tianjin Lieqilin Technology Co., Ltd. ("天津獵麒麟科技有限公司")	(4)	PRC/Chinese Mainland 02 March 2022	RMB200,000,000	–	100%	Development of information technology

Name	Notes	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Tianjin Lieqilin Investment Co., Ltd. ("天津獵麒麟投資有限公司")	(4)	PRC/Chinese Mainland 16 February 2022	RMB200,000,000	–	100%	Investment holding
Zhejiang Qiding Import and Export Co., Ltd. ("浙江奇鼎進出口有限公司")	(4)	PRC/Chinese Mainland 27 March 2019	RMB10,000,000	–	100%	Sale of goods and equipment
Zhejiang Qiding Supply Chain Co., Ltd. ("浙江奇鼎供應鏈有限公司")	(4)	PRC/Chinese Mainland 27 August 2020	RMB20,000,000	–	100%	Provision of supply chain services and sale of goods and equipment
Hangzhou Guming Technology Co., Ltd. ("杭州古茗科技有限公司")	(4)	PRC/Chinese Mainland 16 September 2021	RMB20,000,000	–	100%	Development of information technology
Zhejiang Guming Food Technology Service Co., Ltd. ("浙江古茗食品技術服務有限公司")	(4)	PRC/Chinese Mainland 05 May 2019	RMB20,000,000	–	100%	Processing and sale of goods and equipment
Shanghai Mingjian Technology Co., Ltd. ("上海茗堅科技有限公司")	(4)	PRC/Chinese Mainland 23 March 2022	RMB30,000	–	100%	Development of information technology
Zhejiang Guoru Food Technology Co., Ltd. ("浙江果如食品科技有限公司")	(4)	PRC/Chinese Mainland 19 May 2022	RMB10,000,000	–	70%	Processing and sale of goods and equipment
Hangzhou Guoru Food Technology Co., Ltd. ("杭州果如食品科技有限公司")	(4)	PRC/Chinese Mainland 17 July 2020	RMB10,000,000	–	65%	Processing and sale of goods and equipment
Hangzhou Guming Internet of Things Co., Ltd. ("杭州古茗物聯網有限公司")	(4)	PRC/Chinese Mainland 02 August 2022	RMB5,000,000	–	100%	Development of information technology
Yunnan Yanggaizhiwang Trading Co., Ltd. ("雲南羊該之王商貿有限責任公司")	(4)	PRC/Chinese Mainland 27 October 2021	RMB10,000,000	–	100%	Sale of goods and equipment
Zhejiang Qiming Trading Co., Ltd. ("浙江奇茗貿易有限公司")	(4)	PRC/Chinese Mainland 08 October 2022	RMB50,000,000	–	100%	Provision of supply chain services and sale of goods and equipment
Zhejiang Guming Supply Chain Management Co., Ltd. ("浙江古茗供應鏈管理有限公司")	(4)	PRC/Chinese Mainland 10 October 2022	RMB100,000,000	–	100%	Provision of supply chain services and sale of goods and equipment
Zhejiang Shuicang Food Technology Co., Ltd. ("浙江水倉食品科技有限公司")	(4)	PRC/Chinese Mainland 19 May 2022	RMB10,000,000	–	70%	Processing and sale of goods and equipment
Lishui Shuicang Trading Co., Ltd. ("麗水水倉貿易有限公司")	(4)	PRC/Chinese Mainland 11 June 2020	RMB5,000,000	–	70%	Sale of goods and equipment
Guangxi Hengxian Sanhe Tea Co., Ltd. ("廣西横縣三禾茶業有限公司")	(4)	PRC/Chinese Mainland 04 June 2019	RMB1,000,000	–	70%	Processing and sale of goods and equipment
Hainan Wujuzhiwang Trading Co., Ltd. ("海南無狙之王商貿有限公司")	(4)	PRC/Chinese Mainland 03 February 2023	RMB10,000,000	–	100%	Sale of goods and equipment
Taizhou Houtao Trading Co., Ltd. ("台州後桃商貿有限公司")	(4)	PRC/Chinese Mainland 17 May 2023	RMB10,000,000	–	100%	Sale of goods and equipment
Guangdong Ningxiang Trading Co., Ltd ("廣東檸香商貿有限公司")	(4)	PRC/Chinese Mainland 25 May 2023	RMB10,000,000	–	100%	Sale of goods and equipment

Name	Notes	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Nanchang Mingxingpei Supply Chain Co., Ltd. (“南昌茗星配供應鏈有限公司”)	(4)	PRC/Chinese Mainland 14 March 2023	RMB1,000,000	–	100%	Warehousing and logistics management
Meishan Mingxingpei Supply Chain Co., Ltd. (“眉山茗星配供應鏈管理有限公司”)	(4)	PRC/Chinese Mainland 30 March 2023	RMB1,000,000	–	100%	Warehousing and logistics management
Zhumadian Mingxingpei Supply Chain Co., Ltd. (“駐馬店茗星配供應鏈有限公司”)	(4)	PRC/Chinese Mainland 27 April 2023	RMB1,000,000	–	100%	Warehousing and logistics management
Fuzhou Mingxingpei Supply Chain Co., Ltd. (“福州茗星配供應鏈有限公司”)	(4)	PRC/Chinese Mainland 28 April 2023	RMB1,000,000	–	100%	Warehousing and logistics management
Zhangzhou Mingxingpei Supply Chain Co., Ltd. (“漳州茗星配供應鏈有限公司”)	(4)	PRC/Chinese Mainland 28 April 2023	RMB1,000,000	–	100%	Warehousing and logistics management
Huzhou Mingxingpei Supply Chain Co., Ltd. (“湖州茗星配供應鏈有限公司”)	(4)	PRC/Chinese Mainland 13 April 2023	RMB1,000,000	–	100%	Warehousing and logistics management
Wuhan Mingxingpei Supply Chain Co., Ltd. (“武漢茗星配供應鏈有限公司”)	(4)	PRC/Chinese Mainland 15 March 2023	RMB10,000,000	–	100%	Warehousing and logistics management
Zhejiang Meiming Trading Co., Ltd. (“浙江梅茗貿易有限公司”)	(4)	PRC/Chinese Mainland 08 May 2023	RMB30,000,000	–	100%	Provision of supply chain services and sale of goods and equipment
Zhejiang Jingming Import and Export Co., Ltd. (“浙江景茗進出口有限公司”)	(4)	PRC/Chinese Mainland 09 August 2023	RMB30,000,000	–	100%	Sale of goods and equipment
Zhejiang Mingjian Technology Co., Ltd. (“浙江茗鑑科技有限公司”)	(4)	PRC/Chinese Mainland 05 September 2023	RMB10,000,000	–	100%	Development of information technology
Sichuan Mangmangdawang Trading Co., Ltd. (“四川芒芒大王商貿有限公司”)	(4)	PRC/Chinese Mainland 07 September 2023	RMB10,000,000	–	100%	Sale of goods and equipment

The English names of the companies registered in the PRC represent the best efforts made by the management of the Company to translate the Chinese names of these companies as they do not have official English names.

(1) No audited financial statements have been prepared and issued for these entities as they are not subject to any statutory audit requirement under the relevant rules and regulations in their jurisdiction of incorporation.

As at 31 December 2021 and 2022 and 30 September 2023, the balances of the Company's investment in subsidiaries were as follows:

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Industry Consolidation (BVI) Limited, at cost	–	–	–
Guming Holdings (BVI) Limited, at cost	–	658,544	658,544
Investment arising from equity-settled share-based payment*	–	52,936	71,917
	–	711,480	730,461

* The amount represents equity-settled share-based payment expenses arising from the share options of the Company to employees of the subsidiaries (note 32) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

(2) The statutory financial statements for the period from their dates of incorporation to 31 December 2022 prepared in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the Hong Kong Institute of Certified Public Accountants have been audited by ICS CPA Limited, a certified public accounting firm registered in Hong Kong.

(3) The statutory financial statements for the years ended 31 December 2021 and 2022 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Hangzhou Tianqi Certified Public Accountants, a certified public accounting firm registered in the PRC.

(4) No statutory audited financial statements of the entities have been prepared since their incorporation or establishment.

(5) The statutory financial statements for the year ended 31 December 2021 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Hangzhou Jinxiao Certified Public Accountants, a certified public accounting firm registered in the PRC. No statutory audited financial statements of the entity have been prepared for the year ended 31 December 2022.

(6) The statutory financial statements for the year ended 31 December 2021 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Zhejiang Zhengxin Yonghao United Certified Public Accountants, a certified public accounting firm registered in the PRC.

The statutory financial statements for the year ended 31 December 2022 prepared in accordance with PRC generally accepted accounting principles and regulations have been audited by Zhejiang Zhonghui Certified Public Accountants, a certified public accounting firm registered in the PRC.

2. ACCOUNTING POLICIES

2.1 Basis of Presentation

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the document, the Company became the holding company of the companies now comprising the Group on 18 May 2022. As the Reorganization only involved inserting new holding companies at the top of an existing group and has not resulted in any change of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing group as if the Reorganization had been completed at the beginning of the Relevant Periods.

Accordingly, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods and the nine months ended 30 September 2022 and 2023 are prepared as if the current group structure had been in existence throughout the Relevant Periods and the nine months ended 30 September 2022 and 2023. The consolidated statements of financial position of the Group as at 31 December 2021 and 2022 and 30 September 2023 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganization.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on consolidation in full.

2.2 Basis of Preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

All IFRSs effective for the accounting period commencing from 1 January 2023, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the periods covered by the Interim Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for equity investment designated at fair value through other comprehensive income, financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss, which have been measured at fair value.

As at 30 September 2023, the Group had net current liabilities of approximately RMB558,872,000, which is primarily due to the presentation of the convertible redeemable preferred shares as current liabilities, further details of which are set out in note 29 to the Historical Financial Information. The redemption rights of these shares will be automatically waived upon the [**REDACTED**] of the Company's ordinary shares and the convertible redeemable preferred shares will then be reclassified from liabilities to equity. The directors have reviewed the Group's cash flow projections, which cover a period of at least twelve months from 30 September 2023. Notwithstanding the net current liabilities as at 30 September 2023, the directors of the Company consider that the Group will have sufficient working capital to finance its operation and meets its financial obligations as and when they are due in the foreseeable future, taking into account, *inter alia*, the historical financial performance and the financial resources available for the next twelve months from 30 September 2023. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements for the Relevant Periods on a going concern basis.

2.3 Issued But Not Yet Effective International Financial Reporting Standards

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[3]

1 Effective for annual periods beginning on or after 1 January 2024

2 No mandatory effective date yet determined but available for adoption

3 Effective for annual periods beginning on or after 1 January 2025

The Group is in the process of making an assessment of the impact of these revised IFRSs upon initial application. So far, the Group considers that, these revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 Material Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Fair value measurement

The Group measures certain of its financial assets, equity investment and financial liabilities at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 – based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly

- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the reporting periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Principal annual rate
Machinery	9.5%-31.7%
Office equipment	19.0%-47.5%
Motor vehicles	23.8%-47.5%
Leasehold improvements	Over the shorter of the lease terms and 33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the reporting period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 to 3 years, which is the license period of the software.

Research and development costs

All research costs are charged to the statements of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises, company-operated stores and plant	2-10 years
Leasehold land	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Financial investments

Wealth management products are classified as financial assets at fair value through profit or loss ("FVTPL Assets"). FVTPL Assets are measured and recorded at fair value with net changes in fair value recognised in profit or loss.

Upon initial recognition, the Group elected to classify irrevocably certain of its equity investment as equity investment designated at fair value through other comprehensive income ("OCI") when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity investment designated at fair value through OCI is not subject to impairment assessment.

Purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. The Group initially measures receivables, except for trade receivables that do not contain a significant financing component, at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

Receivables are stated at amortised cost, using the effective interest method less allowance for credit losses.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and the Group has a business model to hold the asset in order to collect contractual cash flows.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The redeemable ordinary shares issued by Guming Technology Group Co., Ltd. and the warrants and convertible redeemable preferred shares issued by the Company were designated upon initial recognition at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as finance costs in profit or loss. The component of fair value changes relating to the issuer's/Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. The net fair value changes relating to market risk are recognised in profit or loss which do not include any interest charged on these financial liabilities.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in OCI or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of goods and equipment

The Group generates revenue from the sale of goods, including ingredients and other related products of freshly-made beverages, and equipment, which is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and equipment.

(b) Provision of franchise management services

The Group enters into franchise agreements with all franchisees. As the franchisor, the Group provides franchise management services under its franchise agreements with franchisees. Franchise is a right to sell products in a particular area using the Group's brand name and trademarks.

The Group's franchise management services revenue mainly includes income from initial franchise fees, income from continuing support services fees and income from the provision of training and other services.

For income from initial franchise fees, the franchisee pays a fixed upfront fee and revenue is recognised over the franchise period. Initial franchise fees are generally charged for pre-opening support services provided to the franchisees, including location analysis and certain advisory services like license application, marketing advisory services and operational support. As those services are highly interrelated with the franchise right, they are not individually distinct from the ongoing licensing arrangement provided to the franchisees.

For income from continuing support services fees, the franchisee receives ongoing operational support services, which are highly interrelated with the franchise right, from the Group during the whole franchise period, and pays continuing support services fee, which is determined based on a pre-determined fixed amount per month multiplying the number of the applicable franchisee's stores and a pre-determined rate range as a percentage of the applicable franchisee's stores procurement amounts, and the Group recognises revenue when the franchisee's subsequent usage occurs.

For income from the provision of training and other services, including pre-opening training services and other training services, and store supervisory and maintenance services, revenue is recognised when the related services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group. The pre-opening training services provided to the franchisees are considered to be distinct as the training contents are largely unrelated to the Group's brand name and trademarks.

(c) Sales from company-operated stores

The Group generates revenue from stores directly operated by the Group, revenue is recognised when the control of the products is transferred to the customer.

(d) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to trade receivables when the right to the consideration becomes unconditional.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Chinese Mainland are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Foreign currencies

These Historical Financial Information are presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in the PRC. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENT AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the Historical Financial Information:

Deferred tax assets

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary difference can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 18 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration

The Group estimates variable consideration to be included in the transaction price for the sale of goods and equipment with rights of return and the initial franchise fee for certain customers.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group. The Group updates its assessment of expected returns quarterly. Estimates of expected return are sensitive to changes in circumstances and the Group's past experience regarding returns may not be representative of customers' actual returns in the future.

In addition, the Group estimates the variable consideration related to some initial franchise fee arrangements to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised would not occur when the uncertainty (i.e., closure of franchise shops within 12 months after the set up) associated with the variable consideration is subsequently resolved.

Revenue recognition from the provision of franchise management services over time

During the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 and 2023, revenue from initial franchise fees recognised over time amounted to RMB73,414,000, RMB87,911,000, RMB65,394,000 (unaudited) and RMB80,794,000 (unaudited), respectively. As at 31 December 2021 and 2022 and 30 September 2023, the balances of contract liabilities amounted to RMB123,858,000, RMB109,261,000 and RMB98,383,000 (unaudited), respectively.

Franchise rights, which represent primarily the right to access the Group's brand name and trademarks, are granted to franchisees upon upfront initial payments for the first year and are renewable annually by the franchisees at no cost, the control of services is transferred over time. Based on the historical franchise information of the franchised shops, the management of the Group determined that license fees from the franchise business are recognised as contract liabilities upon receipt of the upfront initial payments and are released to profit or loss as revenue over the estimated franchise period of three years for each reporting period.

Actual franchise periods may differ from the estimated franchise periods. The management of the Group would periodically review the estimated franchise periods of the franchisees and considers if any adjustment to the current estimation is needed.

Fair values of redeemable ordinary shares, warrants and convertible redeemable preferred shares

The fair values of the redeemable ordinary shares, warrants and convertible redeemable preferred shares measured at fair value through profit or loss are determined using the valuation techniques, including the discounted cash flow method and the option-pricing method. Such valuation is based on key parameters about risk-free rate, discounts for lack of marketability ("DLOM") and volatility, which are subject to uncertainty and might materially differ from the actual results. The fair values of redeemable ordinary shares, warrants and convertible redeemable preferred shares at 31 December 2021 and 2022 and 30 September 2023 were RMB2,472,275,000, RMB2,861,798,000 and RMB2,883,467,000 (unaudited), respectively. Further details are included in notes 29 and 39 to the Historical Financial Information.

Fair value of an unlisted equity investment

The unlisted equity investment has been valued based on a market-based valuation technique as detailed in note 39 to the Historical Financial Information. The valuation requires the Group to determine the price-to-sales ratio ("P/S") for similar instruments, adjusted by discount for lack of marketability. The Group classifies the fair value of the unlisted equity investment as Level 3. The fair values of the unlisted equity investment at 31 December 2021 and 2022 and 30 September 2023 were RMB247,500,000, RMB277,073,000 and RMB275,690,000(unaudited), respectively. Further details are included in notes 16 and 39 to the Historical Financial Information.

Fair value measurement of share-based payments

The Group has set up the 2019 share incentive plan and the 2022 share incentive plan and granted options to the Group's directors and employees. The fair values of the options are determined by the binomial option-pricing model at the date of grant to employees. Significant estimates on assumptions, including the underlying equity value, risk-free rate, expected volatility, and dividend yield, are made by the board of directors of the Company. Further details are included in note 32 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company. During the Relevant Periods, the Group is principally engaged in the operation of a franchised retail network and the trading of ingredients and other related products of freshly-made beverages and equipment. Management reviews the operating results of the Group's business as one operating segment for the purpose of making decisions about resource allocation and performance assessment. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

Geographical information

No geographical information is presented as the Group's revenue from the external customers is derived solely from its operations in Chinese Mainland and no non-financial long term assets of the Group are located outside Chinese Mainland.

Information about major customers

No revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for each of the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the sale of goods and equipment, franchise management services and sales from company-operated stores during the Relevant Periods and the nine months ended 30 September 2022 and 2023.

An analysis of revenue is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Revenue from contracts with customers .				
Sale of goods and equipment.	3,546,918	4,505,145	3,376,411	4,477,504
Franchise management services	831,645	1,044,290	777,876	1,083,910
Sales from company-operated stores . . .	5,338	9,787	7,392	9,468
	4,383,901	5,559,222	4,161,679	5,570,882

Revenue from contracts with customers

(a) Disaggregated revenue information

Types of services	Sale of goods and equipment	Franchise management services	Sales from company-operated stores	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2021				
Types of goods or services				
Sale of goods	3,348,943	–	–	3,348,943
Sale of equipment	197,975	–	–	197,975
Initial franchise fees	–	73,414	–	73,414
Continuing support services fees	–	699,488	–	699,488
Provision of training and other services	–	58,743	–	58,743
Sales from company-operated stores	–	–	5,338	5,338
	3,546,918	831,645	5,338	4,383,901
Geographical market				
Chinese Mainland	3,546,918	831,645	5,338	4,383,901
Timing of revenue recognition				
Revenue recognised over time	–	831,645	–	831,645
Revenue recognised at a point in time	3,546,918	–	5,338	3,552,256
	3,546,918	831,645	5,338	4,383,901

Types of services	Sale of goods and equipment	Franchise management services	Sales from company-operated stores	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2022				
Types of goods or services				
Sale of goods	4,282,733	–	–	4,282,733
Sale of equipment	222,412	–	–	222,412
Initial franchise fees	–	87,911	–	87,911
Continuing support services fees	–	898,883	–	898,883
Provision of training and other services	–	57,496	–	57,496
Sales from company-operated stores	–	–	9,787	9,787
	4,505,145	1,044,290	9,787	5,559,222
Geographical market				
Chinese Mainland	4,505,145	1,044,290	9,787	5,559,222
Timing of revenue recognition				
Revenue recognised over time	–	1,044,290	–	1,044,290
Revenue recognised at a point in time	4,505,145	–	9,787	4,514,932
	4,505,145	1,044,290	9,787	5,559,222

Types of services	Sale of goods and equipment	Franchise management services	Sales from company-operated stores	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
For the nine months ended 30 September 2022				
Types of goods or services				
Sale of goods	3,201,640	–	–	3,201,640
Sale of equipment	174,771	–	–	174,771
Initial franchise fees	–	65,394	–	65,394
Continuing support services fees	–	668,291	–	668,291
Provision of training and other services	–	44,191	–	44,191
Sales from company-operated stores	–	–	7,392	7,392
	3,376,411	777,876	7,392	4,161,679
Geographical market				
Chinese Mainland	3,376,411	777,876	7,392	4,161,679
Timing of revenue recognition				
Revenue recognised over time	–	777,876	–	777,876
Revenue recognised at a point in time	3,376,411	–	7,392	3,383,803
	3,376,411	777,876	7,392	4,161,679

Types of services	Sale of goods and equipment	Franchise management services	Sales from company-operated stores	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
For the nine months ended 30 September 2023				
Types of goods or services				
Sale of goods	4,175,719	–	–	4,175,719
Sale of equipment	301,785	–	–	301,785
Initial franchise fees	–	80,794	–	80,794
Continuing support services fees	–	929,906	–	929,906
Provision of training and other services	–	73,210	–	73,210
Sales from company-operated stores	–	–	9,468	9,468
	4,477,504	1,083,910	9,468	5,570,882
Geographical market				
Chinese Mainland	4,477,504	1,083,910	9,468	5,570,882
Timing of revenue recognition				
Revenue recognised over time	–	1,083,910	–	1,083,910
Revenue recognised at a point in time	4,477,504	–	9,468	4,486,972
	4,477,504	1,083,910	9,468	5,570,882

The following table shows the amounts of revenue recognised in the Relevant Periods and the nine months ended 30 September 2022 and 2023 that were included in the contract liabilities at the beginning of each reporting period:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Revenue recognised that was included in contract liabilities at the beginning of the period:				
Sale of goods and equipment	5,030	4,705	4,705	8,031
Franchise management services	56,338	60,630	44,935	33,118
	61,368	65,335	49,640	41,149

(b) ***Performance obligations***

Information about the Group's performance obligations is summarised below:

Sale of goods and equipment

The performance obligation of the sale of goods and equipment is satisfied upon delivery of the goods and equipment and payment in advance is normally required, except for customers with credit terms, where payment is generally due within 30 days to 90 days from delivery. Some contracts provide customers with a right of return which gives rise to variable consideration.

There is unsatisfied performance obligation for the sale of goods and equipment at the end of each of the Relevant Periods. As permitted under IFRS 15, the Group applies the practical expedient and does not disclose the transaction price allocated to the unsatisfied performance obligations for contracts of the sale of products, which are generally with an original expected length of one year or less.

Franchise management services

For franchise management services, the Group recognises revenue over time as services are rendered, and payment in advance is normally required. Some initial franchise fee arrangements contain variable consideration. There is unsatisfied performance obligation for franchise management services at the end of each of the Relevant Periods.

Sales from company-operated stores

The performance obligation of sales from company-operated stores is satisfied upon delivery of the products and payment is received upon delivery. There is no unsatisfied performance obligation for sales from company-operated stores at the end of each of the Relevant Periods.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) related to franchise management services at the end of each of the Relevant Periods and the nine months ended 30 September 2022 and 2023, which do not include any variable consideration that are constrained, are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Amounts expected to be recognised as revenue:				
Within 1 year	60,630	49,489	68,584	9,781
1 year to 2 years	47,139	45,887	38,971	61,806
2 years to 3 years	16,089	13,885	8,069	26,796
	123,858	109,261	115,624	98,383

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to franchise management services, of which the performance obligations are to be satisfied within two to three years.

Other income and gains

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Other income				
Government grants*	23,475	18,576	17,123	77,506
Bank interest income	2,181	5,375	3,662	35,583
Additional tax deduction**	1,131	3,959	2,729	3,203
Sale of scraps	448	1,398	1,010	772
Others	4,074	9,115	2,784	7,094
	31,309	38,423	27,308	124,158
Gains				
Foreign exchange differences, net	–	7,935	5,568	–
Fair value changes of financial assets at fair value through profit or loss	16,289	10,933	7,827	1,721
Gains on disposal of items of property, plant and equipment	–	186	170	–
	16,289	19,054	13,565	1,721
Total other income and gains	47,598	57,477	40,873	125,879

* The government grants related to income mainly represent incentives received from the local government in connection with certain financial support to local business enterprises for the purpose of encouraging business development. These grants are recognised in profit or loss upon receipt of these grants. There are no unfulfilled conditions or contingencies relating to these grants.

** The amounts represent the additional input value added tax deduction, pursuant to the announcement of the State Administration of Taxation, which became effective from 1 April 2019 onwards.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December 2021	Year ended 31 December 2022	Nine months ended 30 September 2022	Nine months ended 30 September 2023
		RMB'000	*RMB'000*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Cost of services provided and inventories sold*		3,070,196	3,996,290	3,005,140	3,844,469
Depreciation of property, plant and equipment	*13*	27,347	62,579	46,145	56,051
Depreciation of right-of-use assets	*14(a)*	40,464	54,671	39,569	45,617
Amortisation of other intangible assets**	*15*	2,059	1,697	1,576	275
Lease payments not included in the measurement of lease liabilities	*14(c)*	7,743	18,303	13,101	11,494
Research and development expenses***		65,030	118,288	77,952	129,055
Employee benefit expense (including directors', chief executive's and supervisors' remuneration as set out in note 8):					
Wages and salaries		266,120	399,121	301,446	356,895
Equity-settled share-based payment expenses	*32*	17,226	24,476	17,389	18,981
Pension scheme contributions and social welfare****		34,448	57,710	42,851	47,987
		317,794	481,307	361,686	423,863
Foreign exchange differences, net		1,325	(7,935)	(5,568)	782
Fair value changes of financial assets at fair value through profit or loss	*5*	(16,289)	(10,933)	(7,827)	(1,721)
Fair value changes of financial liabilities at fair value through profit or loss	*29*	728,388	389,523	310,322	21,669
Losses/(Gains) on disposal of items of property, plant and equipment, net	*5*	–	(186)	(170)	402
[**REDACTED**]		–	2,080	–	1,815

* Cost of services provided and inventories sold include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** The amortisation of other intangible assets is included in administrative expenses in profit or loss.

*** Research and development expenses include expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

**** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Interest on other borrowings	–	–	–	1,170
Interest on lease liabilities	5,079	5,424	4,156	3,129
	5,079	5,424	4,156	4,299

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

(i) On 31 August 2021, Mr. Wang Yun'an was appointed as an executive director, chief executive officer and the chairman of the board of directors of the Company.

(ii) On 18 May 2022, Mr. Qi Xia was appointed as an executive director of the Company and Mr. Huang Yaoxin was appointed as a non-executive director of the Company.

(iii) On 28 December 2023, Mr. Ruan Xiudi, Mr. Cai Yunjiang and Ms. Jin Yayu were appointed as executive directors of the Company.

Certain of the directors received remuneration from the subsidiaries now comprising the Group prior to their appointment as the directors of the Company. Details of the remuneration received or receivable by the directors from the group entities are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Fees:				
Directors	–	–	–	–
Other emoluments:				
Salaries, allowances and benefits in kind	1,724	1,998	1,474	2,764
Performance related bonuses*	2,156	2,380	1,785	1,785
Pension scheme contributions and social welfare	99	179	131	190
Equity-settled share-based payments	2,167	2,748	1,916	2,096
	6,146	7,305	5,306	6,835
	6,146	7,305	5,306	6,835

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

(a) Independent non-executive directors

Subsequent to the end of the Relevant Periods, Mr. Lo Wei Jye Jacky, Ms. Zheng Xiaodong and Mr. Li Jianbo were appointed as independent non-executive directors of the Company. There were no fees and other emoluments paid to the independent non-executive directors during the Relevant Periods and the nine months ended 30 September 2022 and 2023.

(b) Executive directors, non-executive directors and the chief executive

Year ended 31 December 2021

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive director:					
Mr. Wang Yun'an[(i)]	480	660	13	1,577	2,730
Executive directors:					
Mr. Qi Xia[(ii)]	480	660	13	550	1,703
Mr. Ruan Xiudi[(iii)]	478	660	35	–	1,173
Mr. Cai Yunjiang[(iii)]	126	140	20	22	308
Ms. Jin Yayu[(iii)]	160	36	18	18	232
	1,244	1,496	86	590	3,416
Non-executive director:					
Mr. Huang Yaoxin[(ii)]	–	–	–	–	–
	1,724	2,156	99	2,167	6,146

Year ended 31 December 2022

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive director:					
Mr. Wang Yun'an[(i)]	505	660	15	1,673	2,853
Executive directors:					
Mr. Qi Xia[(ii)]	480	660	16	677	1,833
Mr. Ruan Xiudi[(iii)]	484	660	62	–	1,206
Mr. Cai Yunjiang[(iii)]	359	300	52	241	952
Ms. Jin Yayu[(iii)]	170	100	34	157	461
	1,493	1,720	164	1,075	4,452
Non-executive director:					
Mr. Huang Yaoxin[(ii)]	–	–	–	–	–
	1,998	2,380	179	2,748	7,305

Nine months ended 30 September 2022

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Chief executive and executive director:					
Mr. Wang Yun'an(i)	360	495	11	1,231	2,097
Executive directors:					
Mr. Qi Xia(ii)	360	495	12	476	1,343
Mr. Ruan Xiudi(iii)	362	495	45	–	902
Mr. Cai Yunjiang(iii)	269	225	38	126	658
Ms. Jin Yayu(iii)	123	75	25	83	306
	1,114	1,290	120	685	3,209
Non-executive director:					
Mr. Huang Yaoxin(ii)	–	–	–	–	–
	1,474	1,785	131	1,916	5,306

Nine months ended 30 September 2023

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions and social welfare	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
Chief executive and executive director:					
Mr. Wang Yun'an(i)	1,585	495	64	1,114	3,258
Executive directors:					
Mr. Qi Xia(ii)	379	495	11	506	1,391
Mr. Ruan Xiudi(iii)	365	495	49	–	909
Mr. Cai Yunjiang(iii)	270	225	41	290	826
Ms. Jin Yayu(iii)	165	75	25	186	451
	1,179	1,290	126	982	3,577
Non-executive directors:					
Mr. Huang Yaoxin(ii)	–	–	–	–	–
	2,764	1,785	190	2,096	6,835

No remunerations were paid or payable by the Group to the directors and a chief executive as an inducement to join or upon joining the Group or a compensation for loss of office during the Relevant Periods and the nine months ended 30 September 2022 and 2023.

There was no arrangement under which a director waived or agreed to waive any remunerations during the Relevant Periods and the nine months ended 30 September 2022 and 2023.

9. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 and 2023 include one, one, one and one director disclosed above, respectively. Details of the directors' remuneration are set out in note 8 above. Details of the remuneration of the remaining four, four, four and four highest paid employees who are neither a director nor chief executive of the Company for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 and 2023 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Salaries, allowances and benefits in kind	2,929	2,872	2,195	3,428
Performance related bonuses*	684	984	396	816
Pension scheme contributions and social welfare	308	293	176	211
Equity-settled share-based payments	4,916	5,793	4,968	5,648
	8,837	9,942	7,735	10,103

* Certain highest paid employees of the Company are entitled to bonus payments which are determined as a percentage of the profit after tax of the Group.

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
			(Unaudited)	*(Unaudited)*
HK$2,000,000 to HK$2,500,000	2	–	4	2
HK$2,500,001 to HK$3,000,000	1	3	–	–
HK$3,000,001 to HK$3,500,000	1	1	–	1
HK$3,500,001 to HK$4,000,000	–	–	–	1
	4	4	4	4

10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the Company and the Group's subsidiaries incorporated in the BVI are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong were not liable for income tax as they did not have any assessable profits arising in Hong Kong during the Relevant Periods and the nine months ended 30 September 2022 and 2023.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for the Relevant Periods and the nine months ended 30 September 2022 and 2023.

According to the notices (Zhe Zheng Ban [2015] No.66, Jing Wei Fa [2017] No.13 and Jing Zheng Ban Investment Memorandum [2020] No.22) on the economic development of Jingning She Autonomous County issued by the General Office of the People's Government of Zhejiang Province, the People's Government of Jingning She Autonomous County, and the General Office of the People's Government of Jingning She Autonomous County, respectively, investment enterprises registered in the Jingning She Autonomous County are entitled to a preferential income tax policy for 10 years since the date of registration. Accordingly, certain of the Group's PRC subsidiaries registered in the Jingning She Autonomous County are entitled to a preferential income tax exemption for the Relevant Periods and the nine months ended 30 September 2022 and 2023.

Certain of the Group's PRC subsidiaries are accredited as "High and New Technology Enterprises" and were therefore entitled to a preferential income tax rate of 15% during the year ended 31 December 2022 and the nine months ended 30 September 2023. Such qualifications are subject to review by the relevant tax authority in the PRC for every three years.

One of the Group's PRC subsidiaries is qualified as a "Double Soft Enterprise" ("DSE") under the Corporate Income Tax Law during the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023. According to the relevant tax regulations, the qualified subsidiary was exempted from CIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years if the criteria of DSE are met each year, commencing from 2021, the first year of profitable operation.

Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 2.5% to 10% during 2021 and 2022 and 5% during 2023, respectively.

The income tax expense of the Group for the Relevant Periods and the nine months ended 30 September 2022 and 2023 is analysed as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Current – PRC				
Charge for the year/period	209,156	241,226	186,384	211,718
Deferred (note 18)	13,945	37,106	16,180	54,100
	223,101	278,332	202,564	265,818

A reconciliation of tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods and the nine months ended 30 September 2022 and 2023 is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Profit before tax	247,093	650,357	478,031	1,267,855
Tax at the PRC corporate income tax rate of 25%	61,773	162,589	119,508	316,964
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	22,000	41,000	18,000	35,000
Effect of tax concessions	(39,014)	(10,125)	(3,422)	(72,440)
Expenses not deductible for tax	1,213	510	249	638
Research and development super deduction	(8,948)	(20,557)	(13,359)	(23,272)
Temporary differences not recognised	186,077	104,915	81,588	8,928
Tax charge at the Group's effective rate	223,101	278,332	202,564	265,818

11. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the basis of presentation of the results of the Group for the Relevant Periods and the nine months ended 30 September 2022 and 2023 as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021						
At 1 January 2021:						
Cost	22,568	6,747	25,414	18,607	4,966	78,302
Accumulated depreciation	(3,168)	(1,450)	(4,949)	(3,648)	–	(13,215)
Net carrying amount	19,400	5,297	20,465	14,959	4,966	65,087
At 1 January 2021, net of accumulated depreciation	19,400	5,297	20,465	14,959	4,966	65,087
Additions	6,630	8,889	43,054	7,645	89,616	155,834
Depreciation provided during the year	(6,692)	(3,176)	(10,774)	(6,705)	–	(27,347)
Transfers	34,291	3,807	–	1,915	(40,013)	–
Disposals	(573)	(21)	(518)	–	–	(1,112)
At 31 December 2021, net of accumulated depreciation	53,056	14,796	52,227	17,814	54,569	192,462
At 31 December 2021:						
Cost	62,141	19,383	67,363	28,167	54,569	231,623
Accumulated depreciation	(9,085)	(4,587)	(15,136)	(10,353)	–	(39,161)
Net carrying amount	53,056	14,796	52,227	17,814	54,569	192,462

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022						
At 1 January 2022:						
Cost	62,141	19,383	67,363	28,167	54,569	231,623
Accumulated depreciation	(9,085)	(4,587)	(15,136)	(10,353)	–	(39,161)
Net carrying amount	53,056	14,796	52,227	17,814	54,569	192,462
At 1 January 2022, net of accumulated depreciation	53,056	14,796	52,227	17,814	54,569	192,462
Additions	12,747	14,792	15,680	4,919	61,347	109,485
Depreciation provided during the year	(16,433)	(8,252)	(17,306)	(20,588)	–	(62,579)
Transfers	52,931	1,228	–	45,366	(99,525)	–
Disposals	(4,727)	(407)	(420)	–	–	(5,554)
At 31 December 2022, net of accumulated depreciation	97,574	22,157	50,181	47,511	16,391	233,814
At 31 December 2022:						
Cost	122,765	35,304	81,240	78,452	16,391	334,152
Accumulated depreciation	(25,191)	(13,147)	(31,059)	(30,941)	–	(100,338)
Net carrying amount	97,574	22,157	50,181	47,511	16,391	233,814

	Machinery	Office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
30 September 2023						
At 1 January 2023:						
Cost	122,765	35,304	81,240	78,452	16,391	334,152
Accumulated depreciation	(25,191)	(13,147)	(31,059)	(30,941)	–	(100,338)
Net carrying amount	97,574	22,157	50,181	47,511	16,391	233,814
At 1 January 2023, net of accumulated depreciation	97,574	22,157	50,181	47,511	16,391	233,814
Additions	7,516	10,599	16,616	2,533	217,124	254,388
Depreciation provided during the period	(14,879)	(8,929)	(14,017)	(18,226)	–	(56,051)
Transfers	598	–	–	15	(613)	–
Disposals	(1,879)	(3,439)	(1,941)	–	–	(7,259)
At 30 September 2023, net of accumulated depreciation	88,930	20,388	50,839	31,833	232,902	424,892
At 30 September 2023:						
Cost	129,359	40,607	84,273	81,000	232,902	568,141
Accumulated depreciation	(40,429)	(20,219)	(33,434)	(49,167)	–	(143,249)
Net carrying amount	88,930	20,388	50,839	31,833	232,902	424,892

14. LEASES

The Group as a lessee

The Group has lease contracts for items of office premises, company-operated stores and plant used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of office premises and plant generally have lease terms between 2 and 10 years. Generally, the Group is restricted from assigning and subleasing the leased office premises and plant outside the Group.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods and the nine months ended 30 September 2023 are as follows:

	Office premises, company-operated stores and plant	Leasehold land	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2021	55,606	–	55,606
Additions	111,493	–	111,493
Depreciation charge	(40,464)	–	(40,464)
As at 31 December 2021 and 1 January 2022	126,635	–	126,635
Additions	34,853	108,934	143,787
Depreciation charge	(53,659)	(1,012)	(54,671)
As at 31 December 2022 and 1 January 2023	107,829	107,922	215,751
Additions (Unaudited)	12,858	–	12,858
Depreciation charge (Unaudited)	(43,815)	(1,802)	(45,617)
As at 30 September 2023 (Unaudited)	76,872	106,120	182,992

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods and the nine months ended 30 September 2023 are as follows:

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Carrying amount at beginning of year/period	53,818	127,530	106,340
New leases	111,493	34,853	12,858
Accretion of interest recognised during the year/period	5,079	5,424	3,129
Payments	(42,860)	(61,467)	(49,989)
Carrying amount at end of year/period	127,530	106,340	72,338
Analysed into:			
Current portion	44,664	52,196	46,992
Non-current portion	82,866	54,144	25,346

The maturity analysis of lease liabilities is disclosed in note 40(c) to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Interest on lease liabilities	5,079	5,424	4,156	3,129
Depreciation charge of right-of-use assets	40,464	54,671	39,569	45,617
Lease payments not included in the measurement of lease liabilities	7,743	18,303	13,101	11,494
Total amount recognised in profit or loss	53,286	78,398	56,826	60,240

(d) The total cash outflows for leases are disclosed in note 33(c) to the Historical Financial Information.

15. OTHER INTANGIBLE ASSETS

	Software
	RMB'000
31 December 2021	
At 1 January 2021:	
Cost	3,568
Accumulated amortisation	(416)
Net carrying amount	3,152
At 1 January 2021, net of accumulated amortisation	3,152
Additions	1,077
Amortisation provided during the year	(2,059)
At 31 December 2021, net of accumulated amortisation	2,170
At 31 December 2021:	
Cost	4,645
Accumulated amortisation	(2,475)
Net carrying amount	2,170
31 December 2022	
At 1 January 2022, net of accumulated amortisation	2,170
Amortisation provided during the year	(1,697)
At 31 December 2022, net of accumulated amortisation	473
At 31 December 2022:	
Cost	4,645
Accumulated amortisation	(4,172)
Net carrying amount	473
30 September 2023	
At 1 January 2023:	
Cost	4,645
Accumulated amortisation	(4,172)
Net carrying amount	473
At 1 January 2023, net of accumulated amortisation	473
Amortisation provided during the period (Unaudited)	(275)
At 30 September 2023, net of accumulated amortisation (Unaudited)	198
At 30 September 2023:	
Cost (Unaudited)	4,645
Accumulated amortisation (Unaudited)	(4,447)
Net carrying amount (Unaudited)	198

16. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Unlisted equity investment, at fair value:			
Adopt A Cow Holding Group Co., Ltd.	247,500	277,073	275,690

The above equity investment was irrevocably designated at fair value through other comprehensive income ("OCI") as the Group considers the investment to be strategic in nature.

The movement of this equity investment during the Relevant Periods and the nine months ended 30 September 2023 are as follows:

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
At the beginning of year/period	–	247,500	277,073
Additions	247,500	–	–
Fair value gain/(loss) recognised in OCI	–	29,573	(1,383)
At end of year/period	247,500	277,073	275,690

17. OTHER NON-CURRENT ASSETS

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Prepayment for property, plant and equipment	24,262	3,337	29,585

18. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods and the nine months ended 30 September 2023 are as follows:

	Contract liabilities	Losses available for offsetting against future taxable profits	Unrealised profits arising from intra-group transactions	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	27,286	4,060	2,943	9,950	44,239
Deferred tax credited/(charged) to profit or loss during the year	3,679	(3,621)	7,522	16,165	23,745
Gross deferred tax assets at 31 December 2021	30,965	439	10,465	26,115	67,984
At 1 January 2022	30,965	439	10,465	26,115	67,984
Deferred tax credited/(charged) to profit or loss during the year	(3,650)	4,506	3,421	(2,626)	1,651
Gross deferred tax assets at 31 December 2022	27,315	4,945	13,886	23,489	69,635
At 1 January 2023	27,315	4,945	13,886	23,489	69,635
Deferred tax credited/(charged) to profit or loss during the period (Unaudited)	(12,558)	(419)	(2,124)	(14,219)	(29,319)
Gross deferred tax assets at 30 September 2023 (Unaudited)	14,757	4,526	11,762	9,270	40,316

As at 31 December 2021 and 2022 and 30 September 2023, deferred tax assets have been recognised in respect of all tax losses arising in Chinese Mainland, respectively, which will expire in one to five years for offsetting against future taxable profits.

As at 31 December 2021 and 2022 and 30 September 2023, certain subsidiaries of the Group had deductible temporary differences of RMB744,307,000, RMB1,164,028,000 and RMB1,199,816,000 (unaudited), respectively. Deferred tax assets have not been recognised in respect of these deductible temporary differences as it is not considered probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The movements in deferred tax liabilities during the Relevant Periods and the nine months ended 30 September 2023 are as follows:

	Unrealised gains from financial assets at fair value through profit or loss	Unrealised gains from equity investment designated at fair value through OCI	Right-of-use assets	Withholding taxes	Contract assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	–	–	10,359	–	–	10,359
Deferred tax charged to profit or loss during the year	111	–	15,579	22,000	–	37,690
Gross deferred tax liabilities at 31 December 2021	111	–	25,938	22,000	–	48,049
At 1 January 2022	111	–	25,938	22,000	–	48,049
Deferred tax charged/(credited) to profit or loss during the year	(106)	–	(2,137)	41,000	–	38,757
Deferred tax charged to OCI during the year	–	4,880	–	–	–	4,880
Gross deferred tax liabilities at 31 December 2022	5	4,880	23,801	63,000	–	91,686
At 1 January 2023	5	4,880	23,801	63,000	–	91,686
Deferred tax charged/(credited) to profit or loss during the period (Unaudited)	30	–	(14,148)	35,000	3,898	24,780
Deferred tax credited to OCI during the period (Unaudited)	–	(229)	–	–	–	(229)
Gross deferred tax liabilities at 30 September 2023 (Unaudited)	35	4,651	9,653	98,000	3,898	116,237

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Chinese Mainland. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008.

Deferred income tax liabilities have been recognised for the withholding tax that would be payable on the earnings of certain subsidiaries incorporated in PRC for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 that are expected to be distributed in the foreseeable future. As to the other subsidiaries incorporated in PRC, the Group has no plan to distribute the respective retained earnings as at 31 December 2021 and 2022 and 30 September 2023.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)
Net deferred tax assets recognised in the consolidated statement of financial position	42,932	46,661	27,038
Net deferred tax liabilities recognised in the consolidated statement of financial position	22,997	68,712	102,959

19. INVENTORIES

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* (*Unaudited*)
Raw materials	151,281	86,465	37,986
Work in progress	18,768	24,635	78,864
Finished goods	536,740	594,460	555,870
	706,789	705,560	672,720

20. TRADE RECEIVABLES

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Trade receivables	34,401	37,511	60,104

The Group's trade receivables arise from the sale of products. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period generally ranges from 2 days to one month, extending up to three months for major direct sales customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods and 30 September 2023, based on the dates of delivery of goods/rendering of franchising services, is as follows:

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Within 1 month	29,928	31,951	40,355
1 to 3 months	2,090	3,734	11,354
3 to 6 months	1,784	977	7,033
6 months to 1 year	599	849	1,362
	34,401	37,511	60,104

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and product type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Management has assessed that the expected credit loss rate for trade receivables is minimal as at 31 December 2021 and 2022 and 30 September 2023. In the opinion of the directors of the Company, the Group's trade receivables relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.

21. CONTRACT ASSETS

	1 January	31 December		30 September
	2021	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Contract assets arising from:				
Franchise management services	–	–	–	25,985

Contract assets are initially recognised for revenue earned from the provision of franchise management services as the receipt of some initial franchise fees are allowed to defer for three months. The related balance of contract assets is reclassified to trade receivables at the end of the deferred period. The increase in contract assets as at September 2023 was the result of the increase in the ongoing income from the provision of franchise management services at the end of that period.

The expected timing of recovery or settlement for contract assets is as follows:

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Within 1 year	–	–	25,985

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases. Management has assessed that the expected credit loss rate for contract assets is minimal as at 30 September 2023. In the opinion of the directors of the Company, the Group's contract assets relate to a large number of diversified customers with no recent history of default and the balances are considered fully recoverable considering the historical records and forward-looking information.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Prepayments to suppliers	166,441	141,120	163,723
Prepaid expenses	20,940	19,975	27,231
Deposits	16,791	18,698	18,065
Value-added tax recoverable	23,221	45,064	67,162
Others	5,469	12,088	31,402
	232,862	236,945	307,583

Financial assets included in the above balances are unsecured, non-interest-bearing and repayable on demand. These balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the Relevant Periods and 30 September 2023, the loss allowance was assessed to be minimal.

The Company

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Due from a shareholder for issuance of convertible redeemable preferred shares of the Company	–	9,568	–

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Wealth management products	241,679	37,346	30,961

The above unlisted investments were wealth management products issued by banks in Chinese Mainland with a maturity period within one year. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

24. CASH AND BANK BALANCES, RESTRICTED CASH AND LONG-TERM BANK DEPOSITS

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Cash on hand and cash at banks	151,808	1,114,468	1,857,204
Short-term bank deposits	–	32,737	189,000
Cash and bank balances	151,808	1,147,205	2,046,204
Restricted cash	–	–	148,048
Long-term bank deposits	40,000	90,000	40,000
Denominated in:			
Cash and bank balances			
RMB	118,108	1,058,842	1,992,970
JPY	–	–	35,077
HKD	–	–	12,160
USD	33,700	88,363	5,086
CHF	–	–	911
	151,808	1,147,205	2,046,204
Restricted cash			
RMB	–	–	148,048
Long-term bank deposits			
RMB	40,000	90,000	40,000

The RMB is not freely convertible into other currencies, however, under the PRC's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash and bank balances earn interest at floating rates based on daily bank deposit rates. The bank deposits are made for varying periods between six months and three years depending on the cash management of the Group, and earn interest at fixed rates between 0.3% and 5.8% per annum. The bank balances and deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

As at 30 September 2023, restricted cash of RMB148,048,000 (unaudited) were pledged for the Group's interest-bearing other borrowings as disclosed in note 28 to the Historical Financial Information.

25. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods and 30 September 2023, based on the invoice date, is as follows:

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Within 3 months	148,733	387,123	420,165
3 to 6 months	102	2,236	6,019
6 months to 1 year	632	44	4,762
Over 1 year	124	140	139
	149,591	389,543	431,085

As at 31 December 2021 and 2022 and 30 September 2023, included in the Group's trade payables are amounts due to the related parties of RMB412,000, RMB112,000 and RMB1,196,000 (unaudited), respectively (note 37(b)).

Trade payables are non-interest bearing and normally settled on terms of within 30 days.

As at 31 December 2021 and 2022 and 30 September 2023, the carrying amounts of trade payables approximated to their fair values.

26. OTHER PAYABLES AND ACCRUALS

The Group

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Payroll and welfare payable	61,773	75,705	81,744
Tax payable other than corporate income tax	49,164	14,465	27,973
Deposits received	20,445	24,195	37,683
Other payables for property, plant and equipment	12,730	11,173	33,945
Accrued expenses	32,741	27,806	64,672
Due to related parties arising from the Reorganization	–	94,348	–
Other payables	4,693	3,521	5,731
	181,546	251,213	251,748

As at 31 December 2021 and 2022 and 30 September 2023, included in the Group's other payables are amounts due to the related parties of nil, RMB94,348,000 and nil (unaudited), respectively (note 37(b)).

Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods and 30 September 2023 approximated to their corresponding carrying amounts.

The Company

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Due to a subsidiary	–	9,568	–

27. CONTRACT LIABILITIES

	1 January	31 December		30 September
	2021	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Advances received from customers:				
Sale of goods and equipment	5,030	4,705	8,031	11,053
Franchise management services	109,145	123,858	109,261	98,383
	114,175	128,563	117,292	109,436
Analysed into:				
Current portion	61,368	65,335	57,520	20,834
Non-current portion	52,807	63,228	59,772	88,602

Contract liabilities of the Group mainly arise from the advance payments received from customers for products yet to be delivered and services yet to be provided. The increase in contract liabilities as at 31 December 2021, and the decrease in contract liabilities as at 31 December 2022 and 30 September 2023 was mainly due to the increase or decrease of short-term advances received from customers in relation to the sale of goods and equipment and the provision of franchise management services at the end of that year/period.

The expected timing of recognition of revenue is as follows:

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Within 1 year	65,335	57,520	20,834
1 year to 2 years	47,139	45,887	61,806
2 years to 3 years	16,089	13,885	26,796
	128,563	117,292	109,436

28. INTEREST-BEARING OTHER BORROWINGS

	30 September 2023		
	Effective interest rate (%)	Maturity	RMB'000
	(Unaudited)	*(Unaudited)*	*(Unaudited)*
Other borrowings – secured:			
	2.0%	2023	47,048
	1.2%-1.7%	2024	101,000
			148,048

As at 30 September 2023, all of the Group's other borrowings are denominated in RMB, interest-bearing at fixed rates and repayable within one year and are secured by restricted cash of RMB148,048,000 (unaudited) as disclosed in note 24 to the Historical Financial Information.

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Redeemable ordinary shares	2,472,275	–	–
Convertible redeemable preferred shares	–	2,818,901	2,883,467
Warrants	–	42,897	–
	2,472,275	2,861,798	2,883,467

Redeemable ordinary shares

The Group

In 2020, Guming Technology Group Co., Ltd. (formerly known as Zhejiang Guming Technology Co., Ltd.) ("Guming Technology"), a subsidiary of the Company, and the investors (the "Investors") entered into a series of share subscription agreements whereby the Investors agreed to make a total investment of RMB674,128,000 for 13.2% of the total equity interests in Guming Technology. All the considerations were received by Guming Technology in 2020.

Pursuant to the Investors' agreements ("the Agreements"), in the following circumstances, the Investors shall have the right to require Guming Technology to repurchase all of the equity interests held by them at the price agreed in the Agreements:

(1) Guming Technology fails to complete a [**REDACTED**] (defined in "*Convertible redeemable preferred shares*" section below) on or before the seventh (7th) anniversary of the closing (i.e., 30 September 2027);

(2) any material breach of the financing transaction documents (including the financing documents signed by Guming Technology and other related parties and the transaction documents) by any group company and/or founding shareholders which results in a loss of more than RMB30,000,000 in the aggregate by any investor due to the failure in taking timely remedial measures;

(3) any existing or future holder requests Guming Technology and/or any existing shareholders (if applicable) to redeem the ordinary shares held by it; or

(4) the occurrence of criminal punishment to any group company or founding shareholders arising from any criminal offences committed by any group company or founding shareholders in relation to taxation liability, corruption, bribery, embezzlement of property, misappropriation of property or accounting fraud.

The redemption price for each ordinary share of Guming Technology shall be an amount equal to 100% of the applicable share issue price, minus all distributed dividends and compensation thereon, and plus interest accrued at the rate of eight percentage (8%) of the share issue price per annum starting from the applicable issue date (the "Series A Preference Amount").

The redeemable ordinary shares issued by Guming Technology are designated as financial liabilities at fair value through profit or loss and were subsequently measured at fair value.

On 18 May 2022, the Investors signed the offshore share subscription agreements, pursuant to which the redeemable ordinary shares held by the Investors were replaced by the convertible redeemable series A preferred shares issued by the Company ("Preferred Shares").

The movements of redeemable ordinary shares included in financial liabilities at fair value through profit or loss as at 31 December 2021 and 2022 are set out below:

	31 December	
	2021	2022
	RMB'000	*RMB'000*
At beginning of year	1,743,887	2,472,275
Fair value change	728,388	267,396
Transfer to warrants	–	(2,532,626)
Transfer to convertible redeemable preferred shares	–	(207,045)
At end of year	2,472,275	–

Convertible redeemable preferred shares

The Group and the Company

Since the date of incorporation, the Company has completed financing by issuing a series of Preferred Shares as follows:

	Date of issuance	Purchase price	Number of shares	Total consideration
		(RMB/share)		*RMB'000*
Series A-1 Preferred Shares with par value of US$0.00001 each	2022/05/18	2.3	21,739,140	50,613
Series A-2 Preferred Shares with par value of US$0.00001 each	2023/09/15	2.2	4,347,820	9,568
Series A-3 Preferred Shares with par value of US$0.00001 each	2022/08/23	2.3	173,913,040	404,907
Series A-4 Preferred Shares with par value of US$0.00001 each	2022/08/23	2.4	86,956,540	209,040
Series A Preferred Shares with par value of US$0.00001 each		2.3	286,956,540	674,128

The key terms of the Preferred Shares are summarised as follows:

(a) Conversion feature

Each Preferred Share shall be convertible, at the option of the holders of the Preferred Shares ("Holders") thereof, at any time after the date of issuance, and without the payment of any additional consideration by the Holders thereof, into such number of fully paid ordinary shares of the Company as is determined by dividing the applicable deemed original issue price for such series of Preferred Shares by the conversion price for such series of Preferred Shares in effect ("Conversion Price") at the time of conversion. The Conversion Price shall be subject to adjustment from time to time, including but not limited to share splits and combinations, share dividends and distributions, Reorganization, consolidations or reclassifications, and adjustment upon issuance of new securities for a consideration per share less than the conversion price.

All outstanding Preferred Shares shall automatically be converted into ordinary shares of the Company at the applicable ratio upon the closing of an [**REDACTED**] implying a [**REDACTED**] market capitalisation of the Company that is no less than RMB10,000,000,000 (the "[**REDACTED**]"), or with respect to each series of Preferred Shares, the date and time, or the occurrence of an event, specified in a written request for such conversion delivered to the Company by the Holders of at least a majority of the series of Preferred Shares then outstanding, voting together as a single class on an as-converted to ordinary shares basis.

The convertible redeemable preferred shares will be converted to ordinary shares upon the [**REDACTED**].

(b) Redemption feature

Notwithstanding anything to the contrary herein, if (i) the Company fails to complete a [**REDACTED**] by 30 September 2027; (ii) any material breach of the transaction documents by any group company and/or the founder parties which results in a loss of more than RMB30,000,000 in the aggregate by any investor due to the failure in curing such material breach within fifteen (15) business days upon the request by any Investors; (iii) any existing or future holder of the equity securities of the Company requests the Company to redeem the equity securities held by it; or (iv) there is the occurrence of criminal punishment to any chief founder party arising from any criminal offences committed by any group company and/or any chief founder party in relation to taxation liability, corruption, bribery, embezzlement of property, misappropriation of property or accounting fraud, the investors may initiate to request the Company to redeem all or part of the outstanding Preferred Shares (the "Redemption").

Pursuant to the shareholders' agreement entered into between the Company and its investors on 26 December 2023, the redemption rights ceased to be exercisable immediately before the first filing of the [**REDACTED**] by the Company with the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and shall resume to be exercisable in accordance with below terms upon the earliest of (i) the withdrawal or abandonment of such [**REDACTED**] by the Company; (ii) the rejection of such [**REDACTED**] by the Hong Kong Stock Exchange; (iii) the lapse of such [**REDACTED**] and such [**REDACTED**] is not renewed by the Company within six months; or (iv) the expiry of eighteen months from the day of the first filing of the [**REDACTED**] by the Company with the Hong Kong Stock Exchange if no [**REDACTED**] has been consummated by then (or such later date as the Parties herein unanimously agree in writing).

(c) Liquidation preferences

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or any of the following events: (i) the liquidation, dissolution or winding-up of the Company or (ii) any trade sale ("Deemed Liquidation Event") that shall be distributed to holders of Preferred Shares in the sequence below:

If, upon any such liquidation, distribution, winding up or Deemed Liquidation Event of the Company, the assets of the Company shall be insufficient to pay the Holders in full on all Series A Preferred Shares, then such assets shall be distributed among the Holders, in proportion to the full amounts to which they would otherwise be respectively entitled thereon.

After distribution or payment in full of the Series A Preference Amount, the remaining assets of the Company available for distribution to members shall be distributed to all holders of issued and outstanding ordinary shares and the Holders of Preferred Shares pro rata on an as-converted basis.

(d) Voting rights

Each Preferred Share shall carry a number of votes equal to the number of ordinary shares of the Company then issuable upon its conversion into ordinary shares at the record date for determination of the shareholders entitled to vote on such matters, or, if no such record date is established, at the date such vote is taken or any written consent of shareholders is solicited. The Holders shall be entitled to vote on all matters on which the holders of ordinary shares shall be entitled to vote.

(e) Presentation and classification

The Group designated the entire instruments including the host debt and conversion derivative of Preferred Shares as financial liabilities measured as fair value through profit or loss. Changes in fair value of Preferred Shares were recorded in "fair value changes of financial liabilities at fair value through profit or loss". Management considered that fair value changes in the Preferred Shares attributable to changes of own credit risk are not significant.

The movements of the convertible redeemable preferred shares included in financial liabilities at fair value through profit or loss as at 31 December 2021 and 2022 and 30 September 2023 are set out below:

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
At beginning of year/period	–	–	2,818,901
Transfer from redeemable ordinary shares of Guming Technology	–	207,045	–
Issuance of preferred shares upon exercising warrants	–	2,491,674	43,303
Fair value change	–	120,182	21,263
At end of year/period	–	2,818,901	2,883,467

Warrants

The Group and the Company

On 18 May 2022, the Company issued warrants to the Investors for the subscription of 4,347,820 Series A-2 Preferred Shares, 173,913,040 Series A-3 Preferred Shares and 86,956,540 Series A-4 Preferred Shares (together, the "Warrants"), respectively. In accordance with the Warrants, the Company and the other parties thereto will execute the shareholders' agreements, pursuant to which, from the date thereof until termination or expiration of the Warrants or of the exercise of the warrants, the holders of the Warrants are entitled to the rights specified in the shareholders' agreements. The above issued warrants were converted into Preferred Shares upon exercise. The Group designated the above issued warrants as financial liabilities measured as fair value through profit or loss.

The movements of the warrants included in financial liabilities at fair value through profit or loss as at 31 December 2021 and 2022 and 30 September 2023 are set out below:

	31 December		30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
At beginning of year/period	–	–	42,897
Transfer from redeemable ordinary shares of Guming Technology	–	2,532,626	–
Issuance of preferred shares upon exercising warrants	–	(2,491,674)	(43,303)
Fair value change	–	1,945	406
At end of year/period	–	42,897	–

The Group applied the discount cash flow method to determine the equity value of the Company/the then holding company of the group entities and adopted the option-pricing method to determine the fair values of the financial liabilities at fair value through profit or loss as at 31 December 2021 and 2022 and 30 September 2023. Key valuation assumptions used to determine the fair values of redeemable ordinary shares, convertible redeemable preferred shares and warrants are set out below:

	31 December		30 September
	2021	**2022**	**2023**
			(Unaudited)
Discount rate	15.0%	15.0%	15.0%
Risk-free interest rate	2.7%	4.1%	4.7%
Discounts for lack of marketability ("DLOM")	21.0%	19.4%	18.1%
Volatility	41.1%	42.2%	42.9%

The Group estimated the risk-free interest rate based on the yield of the RMB China Government Bond and USD America Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of redemption option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on the annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

30. SHARE CAPITAL

The Group and the Company

The Company was incorporated on 31 August 2021 with authorised share capital of US$50,000 divided into 5,000,000,000 ordinary shares with a par value of US$0.00001 each. On the same day, 1,669,565,220 ordinary shares were issued and allotted by the Company to various BVI holding platforms held by the founder shareholders at par value with a consideration of US$16,696 in total.

Upon the completion of the Reorganization on 18 May 2022, the authorised share capital of the Company shall be US$50,000 divided into 4,713,043,460 ordinary shares with a par value of US$0.00001 each and 286,956,540 Series A preferred shares, including 21,739,140 Series A-1 Preferred Shares, 4,347,820 Series A-2 Preferred Shares, 173,913,040 Series A-3 Preferred Shares, and 86,956,540 Series A-4 Preferred Shares, with a par value of US$0.00001 each, as mentioned above in note 29 to the Historical Financial Information.

	31 December		30 September
	2021	2022	2023
			(Unaudited)
Authorised:			
Number of ordinary shares of US$0.00001 each	5,000,000,000	4,713,043,460	4,713,043,460
Issued and fully paid:			
Number of ordinary shares of US$0.00001 each	1,669,565,220	1,669,565,220	1,669,565,220
Par value of ordinary shares (RMB'000)	112	112	112

31. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023 are presented in the consolidated statements of changes in equity.

(i) Capital reserve

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group prior to the incorporation of the Company. Additionally, it also represents the additional contribution made by the shareholders of the Company and reserves arising from equity-settled share-based payment transactions.

(ii) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to allocate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus funds until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of these subsidiaries, the statutory surplus funds may be used either to offset losses, or to be converted to increase the share capital of the subsidiaries provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(iii) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements for operations outside Chinese Mainland.

The Company

A summary of the Company's reserves is as follows:

	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 August 2021 (date of incorporation) and 31 December 2021	(112)	–	(112)
Loss for the year	–	(2,203,254)	(2,203,254)
Equity-settled share option arrangements	52,936	–	52,936
As at 31 December 2022	52,824	(2,203,254)	(2,150,430)
Loss for the period (Unaudited)	–	(21,669)	(21,669)
Equity-settled share option arrangements (Unaudited)	18,981	–	18,981
As at 30 September 2023 (Unaudited)	71,805	(2,224,923)	(2,153,118)

32. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

2019 Share Incentive Plan

On 10 June 2019 (the "Adoption Date"), the board of directors of Guming Technology approved the 2019 Share Incentive Plan (the "2019 Plan") for the purpose of attracting and retaining the best available personnel for positions of substantial responsibility, providing additional incentives to eligible participants who contribute to the success of Guming Technology's business. Eligible participants of the 2019 Plan may include directors and employees of Guming Technology or its subsidiaries. The 2019 Plan shall remain in force for 10 years from the Adoption Date, unless otherwise cancelled or amended.

The maximum aggregate number of shares that may be issued under the 2019 Plan shall not exceed 12,000,000 ordinary shares of Guming Technology. Majority of outstanding share options granted to directors and employees will become vested over a period of three years. Certain share options granted to directors and employees of the Group will become vested in three tranches, in which 1/2, 1/4 and 1/4 of share options shall be vested in the twenty-four months, thirty-six months and forty-eight months.

The following share options were outstanding under the 2019 Plan during the Relevant Periods:

	Weighted average exercise price	Number of options
	RMB	
At 31 December 2020 and 1 January 2021	25	10,203,700
Granted during the year	25	300,000
As 31 December 2021	25	10,503,700

The fair value of the shares included in the 2019 Plan granted before 1 January 2021 was determined at RMB27,951,000, and the Group recognized equity-settled share-based payment expenses of RMB9,822,000, RMB4,911,000 and RMB4,911,000 (unaudited) in profit or loss for the above mentioned shares granted to directors and employees of the Group for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022, respectively.

The fair value of the shares included in the 2019 Plan granted during the year ended 31 December 2021 was determined at RMB26,280,000, and the Group recognized equity-settled share-based payment expenses of RMB7,404,000, RMB5,201,000 and RMB5,201,000 (unaudited) in profit or loss for the above mentioned shares granted to directors and employees of the Group for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022, respectively.

The options granted under the 2019 Plan was replaced by the 2022 Share Incentive Plan (the "2022 Plan") granted on 24 June 2022 (the "New Adoption Date") on a one for twenty basis with no incremental fair value exists. The 10,503,700 share options granted by Guming Technology under the 2019 Plan were replaced by 210,074,000 share options granted by the Company under the 2022 Plan on 1 July 2022.

2022 Share Incentive Plan

On the New Adoption Date, the board of directors of the Company approved the 2022 Plan for the purpose of attracting and retaining the best available personnel for positions of substantial responsibility, providing additional incentives to eligible participants who contribute to the success of the Company's business. Eligible participants of the 2022 Plan may include directors and employees of the Company or its subsidiaries. The 2022 Plan shall remain in force for 10 years from the New Adoption Date, unless otherwise cancelled or amended.

The maximum aggregate number of shares may be issued under the 2022 Plan shall not exceed 217,391,300 ordinary shares of the Company. The outstanding share options granted to directors and employees will become vested in four equal tranches of 25% over a period of four years.

The following share options were outstanding under the 2022 Plan during the Relevant Periods:

	Weighted average exercise price	Number of options
	RMB	
At 1 July 2022	1.25	210,074,000
Granted during the period	1.38	4,549,183
At 31 December 2022 and 1 January 2023	1.25	214,623,183
Granted during the period (Unaudited)	1.38	2,768,117
At 30 September 2023 (Unaudited)	1.25	217,391,300

The fair value of the shares granted under the 2022 Plan during the year ended 31 December 2022 and the nine months ended 30 September 2023 was determined at RMB32,192,000 and RMB22,050,000 (unaudited), respectively, and the Group recognized equity-settled share-based payment expenses of RMB14,364,000, RMB7,277,000 (unaudited) and RMB18,981,000 (unaudited) in profit or loss for the above mentioned shares granted to directors and employees of the Group for the year ended 31 December 2022 and the nine months ended 30 September 2022 and 2023, respectively.

The fair value of equity-settled share options granted was estimated as at the date of grant to directors and employees using a binomial option-pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the key assumptions that the model used for both the 2019 Plan and the 2022 Plan:

	31 December		30 September
	2021	2022	2023
			(Unaudited)
Dividend yield (%)	0.00%	0.00%	0.00%
Expected volatility (%)	41.25%	41.98%	41.90%
Historical volatility (%)	41.25%	41.98%	41.90%
Risk-free interest rate (%)	3.09%	3.03%	3.98%
Expected life of options (year)	10	10	10
Weighted average share price (RMB per share)	6.16	8.33	9.18

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods and the nine months ended 30 September 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB111,493,000 and RMB111,493,000, RMB34,853,000 and RMB34,853,000, and RMB12,858,000 (unaudited) and RMB12,858,000 (unaudited), respectively, in respect of lease arrangements for office premises and plant.

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Financial liabilities at fair value through profit or loss	Interest-bearing other borrowings
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	53,818	1,743,887	–
Changes from financing cash flows	(42,860)	–	–
New leases	111,493	–	–
Interest expense	5,079	–	–
Fair value changes	–	728,388	–
At 31 December 2021 and 1 January 2022	127,530	2,472,275	–
Changes from financing cash flows	(61,467)	–	–
New leases	34,853	–	–
Interest expense	5,424	–	–
Fair value changes	–	389,523	–
At 31 December 2022 and 1 January 2023	106,340	2,861,798	–
Changes from financing cash flows (Unaudited)	(49,989)	–	146,878
New leases (Unaudited)	12,858	–	–
Interest expense (Unaudited)	3,129	–	1,170
Fair value changes (Unaudited)	–	21,669	–
At 30 September 2023 (Unaudited)	72,338	2,883,467	148,048
At 1 January 2022	127,530	2,472,275	–
Changes from financing cash flows (Unaudited)	(48,503)	–	–
New leases (Unaudited)	30,755	–	–
Interest expense (Unaudited)	4,156	–	–
Fair value changes (Unaudited)	–	310,322	–
At 30 September 2022 (Unaudited)	113,938	2,782,597	–

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Within operating activities	7,743	18,303	13,101	11,494
Within financing activities	42,860	61,467	48,503	49,989
Total	50,603	79,770	61,604	61,483

34. CONTINGENT LIABILITIES

As of the end of each of the Relevant Periods and 30 September 2023, the Group did not have any material contingent liabilities.

35. PLEDGE OF ASSETS

Details of the Group's interest-bearing other borrowings, which are secured by the assets of the Group, are included in note 24 to the Historical Financial Information.

36. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods and 30 September 2023:

	31 December		30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Contracted, but not provided for:			
Property, plant and equipment	11,913	265,953	334,041

37. RELATED PARTY TRANSACTIONS

The Group had the following material transactions carried out with related parties during the Relevant Periods and the nine months ended 30 September 2023:

(a) Transactions with related parties:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Purchase of goods:				
Companies controlled by Mr. Wang Yun'an and Mr. Qi Xia	4,950	18,133	15,951	12,402

The purchases from the related parties were conducted in the ordinary course of business and based on commercial terms mutually agreed by the counterparties.

(b) Outstanding balances with related parties

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Trade related:			
Trade payables			
Companies controlled by Mr. Wang Yun'an and Mr. Qi Xia	412	112	1,196
Non-trade related:			
Other payables and accruals			
Companies controlled by Mr. Wang Yun'an, Ms. Pan Pingping, Mr. Qi Xia and Mr. Ruan Xiudi	–	94,348	–

As at 31 December 2021 and 2022 and 30 September 2023, the Group's outstanding balances with related parties were all unsecured, interest-free and repayable on demand.

(c) Compensation of key management personnel of the Group

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Salaries, allowances and benefits in kind	2,846	3,086	2,285	4,326
Performance related bonuses	2,300	2,524	1,893	2,193
Pension scheme contributions and social welfare	253	348	257	395
Equity-settled share-based payments	5,233	5,153	3,980	5,249
Total compensation paid to key management personnel	10,632	11,111	8,415	12,163

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

31 December 2021	Financial assets at fair value through profit or loss — Mandatorily	Financial asset at fair value through OCI — Equity investment	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investment designated at fair value through OCI	–	247,500	–	247,500
Financial assets at fair value through profit or loss	241,679	–	–	241,679
Trade receivables	–	–	34,401	34,401
Financial assets included in prepayments, other receivables and other assets	–	–	21,882	21,882
Long-term bank deposits	–	–	40,000	40,000
Cash and bank balances	–	–	151,808	151,808
Total	241,679	247,500	248,091	737,270

31 December 2022	Financial assets at fair value through profit or loss — Mandatorily	Financial asset at fair value through OCI — Equity investment	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investment designated at fair value through OCI	–	277,073	–	277,073
Financial assets at fair value through profit or loss	37,346	–	–	37,346
Trade receivables	–	–	37,511	37,511
Financial assets included in prepayments, other receivables and other assets	–	–	30,430	30,430
Long-term bank deposits	–	–	90,000	90,000
Cash and bank balances	–	–	1,147,205	1,147,205
Total	37,346	277,073	1,305,146	1,619,565

30 September 2023	Financial assets at fair value through profit or loss — Mandatorily	Financial asset at fair value through OCI — Equity investment	Financial assets at amortised cost	Total
	RMB'000 (Unaudited)	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*	*RMB'000 (Unaudited)*
Equity investment designated at fair value through OCI	–	275,690	–	275,690
Financial assets at fair value through profit or loss	30,961	–	–	30,961
Trade receivables	–	–	60,104	60,104
Financial assets included in prepayments, other receivables and other assets	–	–	48,992	48,992
Restricted cash	–	–	148,048	148,048
Long-term bank deposits	–	–	40,000	40,000
Cash and bank balances	–	–	2,046,204	2,046,204
Total	30,961	275,690	2,343,348	2,649,999

Financial liabilities

31 December 2021	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	2,472,275	–	2,472,275
Trade payables	–	149,591	149,591
Financial liabilities included in other payables and accruals	–	70,608	70,608
Lease liabilities	–	127,530	127,530
Total	2,472,275	347,729	2,820,004

31 December 2022	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at fair value through profit or loss	2,861,798	–	2,861,798
Trade payables	–	389,543	389,543
Financial liabilities included in other payables and accruals	–	161,039	161,039
Lease liabilities	–	106,340	106,340
Total	2,861,798	656,922	3,518,720

30 September 2023	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Financial liabilities at fair value through profit or loss	2,883,467	–	2,883,467
Trade payables	–	431,085	431,085
Financial liabilities included in other payables and accruals	–	142,029	142,029
Interest-bearing other borrowings	–	148,048	148,048
Lease liabilities	–	72,338	72,338
Total	2,883,467	793,500	3,676,967

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and bank balances, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and interest-bearing other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of financial liabilities at fair value through profit of loss are determined using the option-pricing method using significant unobservable market inputs. Details of the method were disclosed in note 29 to the Historical Financial Information.

The fair values of long-term bank deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The carrying amounts of long-term bank deposits approximate to their fair values.

The fair values of wealth management products included in financial assets at fair value through profit or loss have been estimated using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of unlisted equity investment designated at fair value through other comprehensive income, have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. Management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021 and 2022 and 30 September 2023:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Equity investment designated at fair value through OCI	Recent transaction price	Recent transaction price	31 December 2021: N/A	N/A
	Valuation multiples	Average P/S multiple of peers	31 December 2022: 4.64	5% increase/ decrease in the multiple would result in increase/decrease in fair value by RMB13,854,000/ RMB13,854,000
			30 September 2023 (unaudited): 4.08	5% increase/ decrease in the multiple would result in increase/decrease in fair value by RMB13,785,000/ RMB13,785,000
		DLOM	31 December 2022: 24.0%	5% increase/ decrease in the multiple would result in decrease/increase in fair value by RMB4,375,000/ RMB4,375,000
			30 September 2023 (unaudited): 14.0%	5% increase/ decrease in the multiple would result in decrease/increase in fair value by RMB2,244,000/ RMB2,244,000
Financial liabilities at fair value through profit or loss	Option-pricing method	Risk-free interest rates	31 December 2021: 2.7%	5% increase/ decrease in the multiple would result in decrease/increase in fair value by RMB2,351,000/ RMB2,375,000
			31 December 2022: 4.1%	5% increase/ decrease in the multiple would result in decrease/increase in fair value by RMB2,186,000/ RMB2,392,000
			30 September 2023 (unaudited): 4.7%	5% increase/ decrease in the multiple would result in decrease/increase in fair value by RMB1,739,000/ RMB1,759,000

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial liabilities at fair value through profit or loss	Option-pricing method	Volatility	31 December 2021: 41.1%	5% increase/ decrease in the multiple would result in increase/decrease in fair value by RMB6,420,000/ RMB3,962,000
			31 December 2022: 42.2%	5% increase/ decrease in the multiple would result in increase/decrease in fair value by RMB2,453,000/ RMB2,262,000
			30 September 2023 (unaudited): 42.9%	5% increase/ decrease in the multiple would result in increase/decrease in fair value by RMB1,726,000/ RMB1,555,000
		DLOM	31 December 2021: 21.0%	5% increase/ decrease in the multiple would result in decrease/increase in fair value by RMB28,632,000/ RMB28,632,000
			31 December 2022: 19.4%	5% increase/ decrease in the multiple would result in decrease/increase in fair value by RMB31,352,000/ RMB31,352,000
			30 September 2023 (unaudited): 18.1%	5% increase/ decrease in the multiple would result in decrease/increase in fair value by RMB29,809,000/ RMB29,809,000

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021				
Equity investment designated at fair value through OCI	–	–	247,500	247,500
Financial assets at fair value through profit or loss	–	241,679	–	241,679
Total	–	241,679	247,500	489,179
As at 31 December 2022				
Equity investment designated at fair value through OCI	–	–	277,073	277,073
Financial assets at fair value through profit or loss	–	37,346	–	37,346
Total	–	37,346	277,073	314,419
As at 30 September 2023 (Unaudited)				
Equity investment designated at fair value through OCI	–	–	275,690	275,690
Financial assets at fair value through profit or loss	–	30,961	–	30,961
Total	–	30,961	275,690	306,651

Liabilities measured at fair value

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021				
Financial liabilities at fair value through profit or loss	–	–	2,472,275	2,472,275
As at 31 December 2022				
Financial liabilities at fair value through profit or loss	–	–	2,861,798	2,861,798
As at 30 September 2023 (Unaudited)				
Financial liabilities at fair value through profit or loss	–	–	2,883,467	2,883,467

During the Relevant Periods and the nine months ended 30 September 2023, there were no transfers into or out of Level 3 for both financial assets and financial liabilities.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease liabilities and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity as at 31 December 2021 and 2022 and 30 September 2023 to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's (loss)/profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity.

	Increase/(decrease) in USD/RMB rate	Increase/(decrease) in (loss)/profit before tax	Increase/(decrease) in equity*
	%	*RMB'000*	*RMB'000*
31 December 2021			
If RMB weakens against USD	5	1,685	1,345
If RMB strengthens against USD	(5)	(1,685)	(1,345)
31 December 2022			
If RMB weakens against USD	5	4,418	3,431
If RMB strengthens against USD	(5)	(4,418)	(3,431)
30 September 2023 (Unaudited)			
If RMB weakens against USD	5	254	201
If RMB strengthens against USD	(5)	(254)	(201)

* Excluding retained profits

(b) Credit risk

The carrying amounts of cash and bank balances, trade receivables, contract assets and financial assets included in prepayments, other receivables and other assets included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2021 and 2022 and 30 September 2023. The Group classifies financial instruments on the basis of shared credit risk characteristics, such as instrument types and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment.

Cash and bank balances

As at 31 December 2021 and 2022 and 30 September 2023, all cash and bank balances were deposited in high-credit-quality financial institutions without significant credit risk. These financial assets were not yet past due and their credit exposure is classified as stage 1.

Trade receivables and contract assets

To manage the risk arising from trade receivables and contract assets, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally ranged from 2 days to three months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables and contract assets. In addition, the Group reviews regularly the recoverable amount of trade receivables and contract assets to ensure that adequate impairment losses are made. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

The Group applies the simplified approach to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit losses also incorporate forward-looking information based on key economic variables such as inflation rate. As at 31 December 2021 and 2022 and 30 September 2023, the expected credit loss rate for trade receivables and contract assets was assessed to be minimal.

Other receivables and assets

Management makes periodic collective assessments for financial assets included in prepayments, other receivables and other assets as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group has classified financial assets included in prepayments, other receivables and other assets in stage 1 because there was no recent history of default. Management continuously monitors their credit risk. As at 31 December 2021 and 2022 and 30 September 2023, the loss allowance was assessed to be minimal.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2021 and 2022 and 30 September 2023. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	34,401	34,401
Financial assets included in prepayments, other receivables and other assets					
– Normal*	21,882	–	–	–	21,882
Long-term bank deposits					
– Not yet past due	40,000	–	–	–	40,000
Cash and bank balances					
– Not yet past due	151,808	–	–	–	151,808
Total	213,690	–	–	34,401	248,091

	12-month ECLs	Lifetime ECLs			
31 December 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	–	–	–	37,511	37,511
Financial assets included in prepayments, other receivables and other assets					
– Normal*	30,430	–	–	–	30,430
Long-term bank deposits					
– Not yet past due	90,000	–	–	–	90,000
Cash and bank balances					
– Not yet past due	1,147,205	–	–	–	1,147,205
Total	1,267,635	–	–	37,511	1,305,146

	12-month ECLs	Lifetime ECLs			
30 September 2023	**Stage 1**	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Trade receivables	–	–	–	60,104	60,104
Contract assets	–	–	–	25,985	25,985
Financial assets included in prepayments, other receivables and other assets					
– Normal*	48,992	–	–	–	48,992
Restricted cash					
– Not yet past due	148,048	–	–	–	148,048
Long-term bank deposits					
– Not yet past due	40,000	–	–	–	40,000
Cash and bank balances					
– Not yet past due	2,046,204	–	–	–	2,046,204
Total	2,283,244	–	–	86,089	2,369,333

* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance for continuity of funding to finance its working capital needs as well as capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods and 30 September 2023, based on contractual undiscounted payments, is as follows:

31 December 2021	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	149,591	–	–	–	149,591
Financial liabilities included in other payables and accruals	70,608	–	–	–	70,608
Lease liabilities	49,502	43,797	41,621	1,979	136,899
Financial liabilities at fair value through profit or loss	734,707	–	–	–	734,707
Total	1,004,408	43,797	41,621	1,979	1,091,805

31 December 2022	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	389,543	–	–	–	389,543
Financial liabilities included in other payables and accruals	161,039	–	–	–	161,039
Lease liabilities	55,833	37,329	17,785	1,094	112,041
Financial liabilities at fair value through profit or loss	788,637	–	–	–	788,637
Total	1,395,052	37,329	17,785	1,094	1,451,260

30 September 2023	Within 1 year	Over 1 year and within 2 years	Over 2 years and within 5 years	Over 5 years	Total
	RMB'000 *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*	*RMB'000* *(Unaudited)*
Trade payables	431,085	–	–	–	431,085
Financial liabilities included in other payables and accruals	142,029	–	–	–	142,029
Interest-bearing other borrowings	148,048	–	–	–	148,048
Lease liabilities	49,172	22,550	3,503	141	75,366
Financial liabilities at fair value through profit or loss	828,531	–	–	–	828,531
Total	1,598,865	22,550	3,503	141	1,625,059

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirement. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods and the nine months ended 30 September 2023.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes lease liabilities but excludes financial liabilities designated at fair value through profit or loss). Adjusted capital comprises all components of equity and financial liabilities designated at fair value through profit or loss. The adjusted net debt-to-capital ratios as at 31 December 2021 and 2022 and 30 September 2023 were as follows:

	31 December		30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(Unaudited)*
Total liabilities	3,249,311	3,848,270	4,067,384
Less: Financial liabilities at fair value through profit or loss	(2,472,275)	(2,861,798)	(2,883,467)
Adjusted net debt	777,036	986,472	1,183,917
Equity attributable to owners of the parent	(1,216,193)	(832,382)	176,824
Add: Financial liabilities at fair value through profit or loss	2,472,275	2,861,798	2,883,467
Adjusted capital	1,256,082	2,029,416	3,060,291
Adjusted net debt-to-capital ratio	61.9%	48.6%	38.7%

41. EVENTS AFTER THE RELEVANT PERIODS

Issuance of ordinary shares

Subsequent to 30 September 2023, the Group waived the vesting conditions of all the outstanding share options under the 2022 Plan. Accordingly, these share options were vested immediately, which was treated as an acceleration of vesting. Up to the date of this report, a total of 217,391,300 share options were exercised under the 2022 Plan, resulting in the issue of 217,391,300 ordinary shares of the Company in December 2023.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the subsidiaries in respect of any period subsequent to 30 September 2023.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's Reporting Accountants, as set out in Appendix I to this document, and is included herein for information purpose only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to owners of the Company as of 31 December 2022 as if the [**REDACTED**] had taken place on 31 December 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company had the [**REDACTED**] been completed as of 31 December 2022 or any future dates.

	Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022	**Estimated net [REDACTED] from the [REDACTED]**	**Estimated impact to the consolidated net tangible assets of the Group attributable to owners of the Company upon conversion of convertible redeemable preferred shares**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2022**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share as at 31 December 2022**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(note 1)	*(note 2)*	*(note 3)*		*(note 4)*	*(note 5)*
Based on an [**REDACTED**] of [**REDACTED**] per Share	(832,855)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of [**REDACTED**] per Share	(832,855)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of [**REDACTED**] per Share	(832,855)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 December 2022 is based on consolidated net liabilities of the Group attributable to owners of the Company as at 31 December 2022 of approximately RMB832,382,000, after netting off other intangible assets of the Group as at 31 December 2022 of approximately RMB473,000 as shown in the Accountants' Report set out in Appendix I to this document.

2. The estimated net [**REDACTED**] from the [**REDACTED**] are based on estimated [**REDACTED**] of [**REDACTED**], [**REDACTED**] and [**REDACTED**] per [**REDACTED**], after deduction of [**REDACTED**] and other [**REDACTED**] related expenses payable by the Company (excluding [**REDACTED**] which have been recognised in profit or loss during the Track Record Period) and do not take into account any share which may be sold and [**REDACTED**] upon exercise of the [**REDACTED**].

3. Upon the [**REDACTED**] and the completion of the [**REDACTED**], all the preferred shares will be automatically converted into ordinary shares of the Company. The convertible redeemable preferred shares will then be transferred from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma statement of adjusted consolidated net tangible assets, had the conversion of preferred shares into ordinary shares of the Company been completed as of 31 December 2022, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company will be increased by RMB[**REDACTED**], being the carrying amounts of the preferred shares as of 31 December 2022.

4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at after adjustments referred to notes 2 and 3 above and on the basis that [**REDACTED**] shares are in issue, assuming that the conversion of preferred shares into ordinary shares of the Company and the [**REDACTED**] had been completed on 31 December 2022, without taking into account of any shares which may be allotted and issued upon the exercise of the [**REDACTED**].

5. For the purpose of this unaudited pro forma statement of adjusted consolidated net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at an exchange rate of HK$1 to RMB0.9086. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.

6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible (liabilities)/assets of the Group to reflect any trading results or other transactions for the Group entered into subsequent to 31 December 2022.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 31 August 2021 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount from time to time unpaid on such member's shares and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers exercisable by a natural person or body corporate in any part of the world whether as principal, agent, contractor or otherwise and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [Date] with effect from the [**REDACTED**]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding (or in the case of a member being a corporation, by its duly authorised representative) or representing by proxy holding not less than one-third of the issued shares of that class. Every holder of shares of the class shall be entitled to one vote for every such share held by him and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

(aa) increase its share capital by the creation of new shares of such amount as they think fit;

(bb) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;

(cc) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the Board may determine;

(dd) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum;

(ee) cancel any shares, which at the date of passing of the resolution, have not been taken and diminish the amount of its share capital by the amount of the shares so cancelled;

(ff) make provision for the issue and allotment of shares which do not carry any voting rights;

(gg) change the currency of denomination of its share capital; and

(hh) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Our Company may by special resolution reduce its share capital or any capital redemption reserve or other undistributable reserve in any way.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Memorandum and Articles) or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no Shares on the principal register shall be removed to any branch Register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration, and be registered, in the case of any Shares on a branch register, at the relevant registration office, and, in the case of any shares on the principal register, at the transfer office.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Board is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share, is lodged at the relevant registration office, the registered office or the transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and the shares are free of any lien in favour of our Company.

The registration of transfers may be suspended and the register may be closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange to that effect be suspended at such times and for such periods (not exceeding in the whole 30 days in any year) as the Board may determine.

Fully paid shares are free from any restriction on transfer and free of all liens.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Act and the Memorandum and Articles of Association to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid shares.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at a fixed time. A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the forfeited shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment (including the payment of such interest) at such rate not exceeding 20% per annum as the Board may determine.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director subject to the maximum number determined from time to time by the members in general meeting. Any Director appointed to fill a casual vacancy shall hold office only until the next first annual general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

The members may by ordinary resolution remove any Director before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and may by ordinary resolution appoint another person in his stead. Any Director so appointed shall be subject to the "retirement and rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if:

(aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or

(bb) he dies or becomes of unsound mind and the Board resolves that his office be vacated; or

(cc) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated; or (dd) he is prohibited by law from acting as a director or he ceases to be a director by operation of law or pursuant to the Articles; or

(ee) he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(ff) he resigns; or

(gg) he is removed from office by an ordinary resolution pursuant to the Articles; or

(hh) he is removed from office by notice in writing served on him signed by not less than three-fourth in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Board may appoint any one or more of its body to be managing director, joint managing director, deputy managing director or other executive director and/or such other office in the management of the business of the Company as it may decide for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director(s) and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights or restrictions attaching to any shares or any class of shares, any shares may be issued with or have attached to it such rights, or such restrictions, upon whether with regard to dividend, voting, return of capital or otherwise, as the Directors may determine. Shares may be issued on the terms that may be, or at the option of our Company or the holder are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or securities in the capital of our Company on such terms as the Board may determine.

Subject to the provisions of the Cayman Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, at the request of our Company, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of such Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An Executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish, either on its own or jointly with other companies (being subsidiary companies of our Company or companies with which it is associated in business) and maintain any funds or plans for providing pensions, allowances, insurance or other benefits for employees and ex-employees of our Company and their dependants or any class or classes of such persons.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Except as would be permitted by the Companies Ordinance and the Cayman Companies Act, our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any other company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associates has/have a material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for that resolution), but this prohibition does not apply to any of the following matters namely:

(aa) the giving of any security or indemnity either: (x) to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries; or (y) to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal, contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal, contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company;

(dd) any proposal or arrangement concerning the benefit of employees of our Company or its subsidiaries including the adoption, modification or operation of (x) any employees' share scheme, or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (y) a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates; and (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to constitutional documents and our Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, a special resolution shall be required to alter the provisions of the Memorandum, to approve any amendment of the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share of which he is the holder which is fully paid or credited as fully paid but so that no amount paid up or credited as paid up on a share in advance of calls or instalments shall be treated for the purposes of the Articles as paid on the share. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. On a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall (save as provided otherwise in the Articles) have one vote.

Where a clearing house (or its nominee(s)) is a member of our Company, it may (subject to the Articles) authorise such person or persons as it thinks fit to act as its representative or representatives, at any meeting (including but not limited to any general meeting, creditors meeting or at any meeting of any class of members) of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the clearing house (or its nominee(s)) as if such person were an individual member including the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

Members must have the right to: (i) speak at general meetings of our Company; and (ii) vote at a general meeting except whether a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meeting

In each financial year during the period commencing from the [**REDACTED**] and including the date immediately before the [**REDACTED**] our Company shall hold an annual general meeting within six months after the end of each financial year in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it.

Extraordinary general meetings shall be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per share basis in the share capital of our Company and the foregoing members shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting shall be called by a notice in writing of not less than 21 days. All other general meetings shall be called by notice of at least 14 days. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time and place and the agenda of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting shall be given to such persons as are, under the Article, entitled to receive such notices from our Company.

Except where otherwise expressly stated, any notice or document to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting shall be deemed special. All business shall be deemed special that is transacted at an annual general meeting is deemed special with the exception of the following, each of the which shall be deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors and other documents required to be annexed to the balance sheets;

(cc) the election of directors whether by rotation or otherwise in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing, or the determining of the method of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued Shares representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to paragraph (gg); and

(gg) the granting of any mandate or authority to the Board to repurchase securities of our Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless the requisite quorum is present at the time when the meeting proceeds to business.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of our Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorised officer and such a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. On a poll or a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets, credits and liabilities of our Company and of all other matters required by the Cayman Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records shall be kept at the head office or at such other place or places as the Board thinks fit and shall always be open to inspection by the Directors. No member (other than a Director) or other person shall have any right to inspect any account or book or document of our Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall, not less than 21 days before the date of the meeting together with the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all the Listing Rules, our Company may send summarised financial statements to members who have, in accordance with the Listing Rules, consented and elected to receive summarised financial statements instead of the full financial statements provided that any such member may by notice in writing served on our Company, demand that our Company sends to him/her, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his term of office and shall, by ordinary resolution, at that meeting appoint another auditor for the remainder of his term. The Board may fill any casual vacancy in the office of, but while any such vacancy continues the surviving or continuing auditor (if any) may act, and the remuneration of any auditors appointed to fill any casual vacancy may be fixed by the Board.

The auditor shall audit the financial statements of our each year in accordance with generally accepted auditing standards and prepare an auditors' report thereon to be annexed thereto. Such report shall be submitted to the members and laid before our Company in the annual general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (ii) that members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Our Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other moneys payable in cash to the holder of shares may be paid by cheque or warrant sent through post. Every such cheque or warrant shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends and other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, our Company's register and branch register of members shall be open to inspection during business hours by any members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix III.

(j) Procedures on liquidation

Subject to the Cayman Companies Act, our Company may at any time and from time to time be wound up voluntarily by a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the surplus assets remaining after payment shall be distributed *pari passu* and divided among the members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members shall be insufficient to repay the whole of the paid-up capital, they shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation be voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the Members within each class. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no members shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that they are not prohibited by and are in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Islands company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar. For the avoidance of doubt, special resolution used in the below summary shall have the meaning as set out in the Cayman Companies Act.

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Act provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (i) paying distributions or dividends to members; (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (iii) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act); (iv) writing-off the preliminary expenses of the company; and (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company are to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not to be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Court ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (i) an act which is ultra vires the company or illegal, (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (iii) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (i) an order regulating the conduct of the company's affairs in the future, (ii) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (iii) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (iv) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

(g) Disposal of assets

The Cayman Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act (As Revised) of the Cayman Islands, our Company has obtained an undertaking:

(i) [that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and]

(ii) [that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.]

The undertaking for our Company is for a period of [20] years from [Date].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of a company have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by section 40 of the Cayman Companies Act. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act required or permitted to be kept. A company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of directors and officers

A company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(p) Beneficial ownership register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are listed on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (i) compulsorily by order of the Court, (ii) voluntarily, or (iii) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) 75% in value of shareholders or class of shareholders, or (ii) a majority in number representing 75% in value of creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Cayman Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (i) is or is likely to become unable to pay its debts within the meaning of section 93 of the Cayman Companies Act; and (ii) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Cayman Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic substance requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act (As Revised) of the Cayman Islands (the "**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Ogier, our Company's legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in the section headed "Documents delivered to the Registrar of Companies and on display — Documents available on display" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on August 31, 2021.

Our registered office address is at 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands. Our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this document.

We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●] with the Registrar of Companies in Hong Kong. Our principal place of business in Hong Kong is at 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong. Ms. Ying Man Sham has been appointed as the authorized representative of our Company for the acceptance of service of process and any notices required to be served on the Company in Hong Kong. The address for service of process is the same as our principal place of business in Hong Kong as set out above.

As at the date of this document, our Company's head office is located at 5/F, Tower A, Science and Technology Innovation Center, 618 Boxue Road, Xiaoshan District, Hangzhou Zhejiang, China.

2. Changes in Share Capital of Our Company

Our Company was incorporated with an authorized share capital of US$50,000 divided into 500,000,000 shares with a par value of US$0.00001 each.

The following sets out the changes in our Company's issued capital within the two years immediately preceding the date of this document:

(a) On August 31, 2021, our Company allotted and issued one share to the initial subscriber, which was transferred to Ancient Leaves Limited on the same day. Our Company then issued an aggregate of 1,669,565,219 shares to Ancient Leaves Limited, Chivalrous Cavalry Limited, Uncle Tea Limited and Winter Solstice Drinks Limited.

(b) On May 18, 2022, our Company changed its authorized share capital and designated 286,956,540 shares as Series A Preferred Shares, with 21,739,140 shares being designated as Series A-1 Preferred Shares, 4,347,820 shares being designated as Series A-2 Preferred Shares, 173,913,040 shares being designated as Series A-3 Preferred Shares, and 86,956,540 shares being designated as Series A-4 Preferred Shares. Our Company issued 21,739,140 Series A-1 Preferred Shares to Coatue PE Asia 34 LLC.

(c) On August 23, 2022, our Company issued 94,493,060 Series A-3 Preferred Shares, 79,419,980 Series A-3 Preferred Shares and 86,956,540 Series A-4 Preferred Shares to Beijing Meiming Enterprise Management Consulting Partnership (Limited Partnership), Beijing Meiyan Enterprise Management Consulting Partnership (Limited Partnership) and Max Mighty Limited, respectively.

(d) On September 15, 2023, our Company issued 4,347,820 Series A-2 Preferred Shares to Abbeay Street Capital Inc.

(e) On December 27, 2023, our Company issued an aggregate of 217,391,300 ordinary shares to Modern Leaves Limited, Chivalrous Lancers Limited, Thriving Leafbuds Limited and Nascent Sprouts Limited.

Save as disclosed above and in the section headed "History, Reorganization and Corporate Structure" in this document, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this document.

3. Changes in the Share Capital of Members of Our Group

The following sets out the changes in the share or registered capital of the members of our Group within the two years immediately preceding the date of this document:

Guming Technology

(a) On May 24, 2022, the registered capital of Guming Technology was increased from RMB108,695,653 to RMB162,637,697;

(b) On August 17, 2022, the registered capital of Guming Technology was decreased from RMB162,637,697 to RMB114,347,826;

(c) On August 26, 2022, the registered capital of Guming Technology was increased from RMB114,347,826 to RMB454,347,826; and

(d) On January 13, 2023, the registered capital of Guming Technology was decreased from RMB454,347,826 to RMB360,000,000.

Save as disclosed above, there has been no alteration in the share capital of any members of our Group within the two years immediately preceding the date of this document.

4. Resolutions Passed by Our Shareholders' General Meeting in Relation to the [REDACTED]

At the extraordinary general meeting of the Shareholders held on [●], the following resolutions, among other things, were duly passed:

(a) conditional on (i) the [**REDACTED**] Committee granting [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as stated in this document and such [**REDACTED**] and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (ii) the [**REDACTED**] having been determined; and (iii) the obligations of the [**REDACTED**] under each of the [**REDACTED**] Agreements becoming unconditional (including if relevant, as a result of the waiver of any condition(s) thereunder) and such obligations not having been terminated in accordance with the terms of the [**REDACTED**] Agreements or otherwise, in each case on or before such dates as may be specified in the [**REDACTED**] Agreements:

(i) all of the preferred shares of par value US$0.00001 each, whether issued or unissued be re-designated as Shares of US$0.00001 each on a one-for-one basis; and

(ii) the [**REDACTED**], the [**REDACTED**], and the [**REDACTED**] were approved, and our Directors were authorized to negotiate and agree the [**REDACTED**] and to allot and issue the [**REDACTED**] (including pursuant to the [**REDACTED**]);

(iii) a general mandate (the "**Sale Mandate**") was granted to our Directors to allot, issue, and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements, or options which would or might require Shares to be allotted, issued, or dealt with, provided that the number of Shares so allotted, issued, or dealt with or agreed to be allotted, issued, or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following completion of the [**REDACTED**];

(iv) a general mandate (the "**Repurchase Mandate**") was granted to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the [**REDACTED**]; and

(v) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the [**REDACTED**]; and

(b) the Memorandum and Articles of Association were approved and adopted effective conditional on and immediately prior to the [**REDACTED**] on the [**REDACTED**].

Each of the general mandates referred to above will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association of our Company; and

(c) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

5. Explanatory Statement on Repurchase of Our Own Securities

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

(a) Shareholders' approval

A listed company whose primary listing is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

(b) Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and no Shares are issued under the Post-[**REDACTED**] Share Scheme), could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as of the date of the shareholders' approval.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable Laws of the Cayman Islands.

Our Company shall not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the repurchase or, if authorized by its Memorandum and Articles of Association and subject to the Cayman Companies Act, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorized by its Memorandum and Articles of Association and subject to the Cayman Companies Act, out of capital.

(e) Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly, or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the company to announce its results for any year or half-year under the Listing Rules, or quarterly, or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

(f) Trading restrictions

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

(g) Status of repurchased shares

The listing of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically cancelled and the relevant documents of title must be cancelled and destroyed as soon as reasonably practicable.

(h) Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

(i) Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

(j) General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange to exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

We have not made any repurchases of our Shares in the previous six months.

FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

(a) [**REDACTED**]

2. Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

(a) Trademarks

Trademarks registered in the PRC

As of the Latest Practicable Date, we had registered the following trademarks in China which we consider to be or may be material to our business:

No.	Trademark	Registered Owner	Class
1. . .	GOOD ME /	Guming Technology	21
2. . .	古茗	Zhejiang Guming Food Technology Service Co., Ltd.	18

No.	Trademark	Registered Owner	Class
3. . .	GOODME	Guming Technology	43
4. . .	GOO+++	Guming Technology	43
5. . .	古茗	Guming Technology	43
6. . .	古茗	Guming Technology	43
7. . .	古茗	Guming Technology	43

Trademarks applied in Hong Kong

As of the Latest Practicable Date, we had applied for the registration of the following trademark in Hong Kong, the registration of which has not yet been granted:

No.	Trademark	Applicant	Class
1. . .	Good me	Our Company	16,29,30,32,43

(b) Patents

Patents granted in the PRC

As of the Latest Practicable Date, we had been granted the following patents in the PRC which we consider to be or may be material to our business:

No.	Patent	Registered owner
1. . . .	A juice extraction system and its extraction method	Guming Technology
2. . . .	A level two immersion extractor for stirring-free oolong tea	Guming Technology
3. . . .	An ultrasonic plant extraction and separation equipment for tea	Zhejiang Lichuan Food Technology Co., Ltd.
4. . . .	A tea residue removal device	Zhejiang Lichuan Food Technology Co., Ltd.
5. . . .	An automatic drainage device for containers	Zhejiang Guming Houan Information Technology Co., Ltd.
6. . . .	Steam engine anti-backdraft nozzle	Zhejiang Guming Houan Information Technology Co., Ltd.
7. . . .	A refrigeration operating table	Guming Technology
8. . . .	A mixing and discharging device	Guming Technology
9. . . .	A fruit and vegetable grater	Guming Technology
10. . .	A tea extraction can	Zhejiang Lichuan Food Technology Co., Ltd.
11. . .	A tea cooling mixer	Zhejiang Lichuan Food Technology Co., Ltd.

(c) Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.[1]	Domain Name	Registered Owner
1. . .	gumingnc.com	Guming Technology
2. . .	goottt.com	Guming Technology
3. . .	goottt.cn	Guming Technology
4. . .	lingyanghua.net	Guming Technology
5. . .	lingyanghua.cn	Guming Technology
6. . .	lingyanghua.com	Guming Technology
7. . .	iguming.net	Guming Technology

FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' Service Contracts and Appointment Letters

(a) Executive Directors

Each of our executive Directors entered into a service contract with us on [●]. The term of appointment shall be for an initial term of three years from the [**REDACTED**] or until the third annual general meeting of the Company after the [**REDACTED**], whichever is sooner (subject to retirement and rotation as and when required under the Articles of Association and the Listing Rules). Either party may terminate the agreement by giving not less than three months' written notice.

The executive Directors are not entitled to receive any remuneration in his/her capacity as executive Director under his service contract.

(b) Non-executive Director

Our Non-executive Director entered into a letter of appointment with us on [●]. The term of appointment shall be for an initial term of three years from the [**REDACTED**] or until the third annual general meeting of the Company after the [**REDACTED**], whichever is sooner (subject to retirement and rotation as and when required under the Articles of Association and the Listing Rules). Either party may terminate the agreement by giving not less than three months' written notice.

The non-executive Director is not entitled to receive any remuneration and benefits in his capacity as a non-executive Director under his appointment letter.

(c) Independent non-executive Directors

Each of our independent non-executive Directors entered into a letter of appointment with us on [●]. The term of appointment shall be for an initial term of three years from the [**REDACTED**] or until the third annual general meeting of the Company after the [**REDACTED**], whichever is sooner (subject to retirement as and when required under the Articles of Association and the Listing Rules). Either party may terminate the agreement by giving not less than three months' written notice.

Under their letter appointments, each of the independent non-executive Directors is entitled to an annual fixed fee.

2. Remuneration of Directors

(a) The aggregate amount of remuneration paid and benefits in kind granted to our Directors by our Group for the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023 was approximately RMB6.1 million, RMB7.3 million and RMB6.8 million, respectively. No Director received other remuneration or benefits in kind from our Company in respect of each of the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023.

(b) Under the arrangements currently in force, we estimate that the aggregate remuneration (excluding any discretionary bonus which may be paid) payable to, and benefits in kind receivable by, our Directors by any member of our Group in respect of the year ended December 31, 2023 is approximately RMB11.0 million.

3. Disclosure of Interests

(a) Interests and short positions of our Directors and chief executive in the share capital of our Company or our associated corporations following completion of the [**REDACTED**]

Immediately following completion of the [**REDACTED**] and assuming the [**REDACTED**] are not exercised and no Shares are issued under the Post-[**REDACTED**] Share Scheme, the interests or short positions of our Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO, or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Name	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the [REDACTED](1)
Mr. Wang .	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872(2)	[**REDACTED**]%
Mr. Qi . . .	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872(2)	[**REDACTED**]%
Mr. Ruan .	Beneficiary of a trust; Founder of a trust; interest held jointly with another person	1,728,260,872(2)	[**REDACTED**]%

Notes:

(1) Assuming the [**REDACTED**] is not exercised.

(2) Mr. Wang, Mr. Qi, Mr. Ruan and Ms. Pan and their respective intermediate holding companies entered into the Acting-in-Concert Arrangement, details of which are set out in the section headed "History, Reorganization and Corporate Structure — Acting-in-Concert Arrangement" of this document.

For further details of Mr. Wang, Mr. Qi and Mr. Ruan's interest in the Company, please refer to the section headed "Substantial Shareholders."

Save as disclosed above, none of the Directors or the chief executive of the Company will, immediately following the completion of the [**REDACTED**], have an interest and/or short position (as applicable) in the Shares, underlying Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares, underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, who immediately following completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised will have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, is, directly or indirectly, interested in 10% or more of the issued voting shares of the Company, see "Substantial Shareholders."

Substantial shareholders of other members of our Group

Member of our Group	Name of substantial shareholder	Nature of interests	Approximate % held by the substantial shareholder
Hangzhou Guoru Food Technology Co., Ltd. (杭州果如食品科技有限公司)	Lishui Qisheng Enterprise Management Partnership (Limited Partnership) (麗水奇晟企業管理合夥企業(有限合夥))	Beneficial interest	35%
Zhejiang Guoru Food Technology Co., Ltd. (浙江果如食品科技有限公司)	Lishui Qisheng Enterprise Management Partnership (Limited Partnership) (麗水奇晟企業管理合夥企業(有限合夥))	Beneficial interest	30%

Member of our Group	Name of substantial shareholder	Nature of interests	Approximate % held by the substantial shareholder
Zhejiang Lichuan Food Technology Co., Ltd. (浙江勵川食品科技有限公司)	Lishui Qiyu Enterprise Management Partnership (Limited Partnership) (麗水奇昱企業管理合夥企業(有限合夥))	Beneficial interest	30%
Zhejiang Shuicang Food Technology Co., Ltd. (浙江水倉食品科技有限公司)	Lishui Qiyu Enterprise Management Partnership (Limited Partnership) (麗水奇昱企業管理合夥企業(有限合夥))	Beneficial interest	30%

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [**REDACTED**], be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

POST-[REDACTED] SHARE SCHEME

The following is a summary of the principal terms of the Post-[**REDACTED**] Share Scheme conditionally adopted by our Shareholders' resolutions dated [●] with effect from [**REDACTED**]. The terms of the Post-[**REDACTED**] Share Scheme will be governed by Chapter 17 of the Listing Rules.

Purpose

The purpose of the Post-[**REDACTED**] Share Scheme is to provide selected participants with the opportunity to acquire shareholding interests in the Company so as to align the interests of the selected participants with those of our Company and to encourage selected participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and Shareholders as a whole. The Post-[**REDACTED**] Share Scheme will provide our Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to selected participants.

Selected participants

Any individual, who is:

(a) an employee (whether full-time or part-time), director or officer of any member of the Group, provided that a person shall not cease to be an employee in the case of (a) any leave of absence approved by the relevant member of the Group; or (b) any transfer of employment amongst members of the Group or any successor, and provided further that a person shall, for the avoidance of doubt, cease to be an employee with effect from (and including) the date of termination of his/her employment;

(b) an employee (whether full-time or part-time), director or officer of (i) a company of which the Company is a subsidiary ("**Holding Company**"); (ii) subsidiaries of the Holding Company other than members of the Group; or (iii) any company which is an associate of the Company;

(c) a person providing services to the Group on a continuing basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group as determined by the Board and/or any committee of the Board or other persons to whom the Board has delegated its authority pursuant to the criteria set out in the Post-[**REDACTED**] Share Scheme ("**Service Provider Participants**"),

as determined by the Board or its delegate(s) from time to time to be entitled to participate in the Post-[**REDACTED**] Share Scheme. However, no individual who is resident in a place where the grant, acceptance or vesting of options pursuant to the Post-[**REDACTED**] Share Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, is eligible to be offered or granted options. For the avoidance of doubt, placing agents or financial advisors providing advisory services for fundraising, mergers or acquisitions, or professional service providers such as auditors or valuers who provide assurance or are required to perform their services with impartiality and objectivity may not participate in the Post-[**REDACTED**] Share Scheme.

Maximum number of shares

The total number of Shares which may be issued upon exercise of all awards to be granted under the Post-[**REDACTED**] Share Scheme together with the number of Shares which may be issued under any other share schemes of the Company is [**REDACTED**], being not more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the "**Scheme Mandate Limit**"). Shares which would have been issued pursuant to Awards which have lapsed in accordance with the terms of the rules of the Post-[**REDACTED**] Share Scheme (or any other share schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit. The total number of Shares which may be issued pursuant to awards granted to Service Provider Participants under the Post-[**REDACTED**] Share Scheme is [**REDACTED**] Shares, being not more than 1% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the "**Service Provider Sublimit**").

The Scheme Mandate Limit and the Service Provider Sublimit may be refreshed (i) from the later of three years after the adoption date of the Post-[**REDACTED**] Share Scheme or three years after the date of the previous shareholder approval for refreshment of the Scheme Mandate Limit or Service Provider Sublimit (as the case may be) or (ii) by obtaining prior approval of our Shareholders in general meeting and subject to compliance with any additional requirements prescribed under the Listing Rules from time to time. However, the refreshed Scheme Mandate Limit cannot exceed 10% of the Shares in issue as of the date of such approval. Awards previously granted under the Post-[**REDACTED**] Share Scheme and any other share schemes of our Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Scheme Mandate Limit. Our Company may also grant awards in excess of the Scheme Mandate Limit to specifically identified selected participants provided that such grant is first approved by Shareholders in general meeting.

Maximum entitlement of a grantee

Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-[**REDACTED**] Share Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, cancelled and outstanding options) in the twelve months period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of our Shareholders (with such selected participant and their associates abstaining from voting). For any options to be granted in such circumstances, the date of the Board meeting for proposing such further grant shall be the date of grant of such options for the purpose of calculating the exercise price of the options.

Performance target

The Post-[**REDACTED**] Share Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, the Board or its delegate(s) may at their sole discretion specify, as part of the terms and conditions of any award, such performance conditions that must be satisfied before the award shall be vested.

Exercise price

For awards which take the form of options, the amount payable for each Share to be subscribed for (the "**Exercise Price**") in the event of the option being exercised shall be determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) but shall in any event be no less than the higher of:

(i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; and

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

Rights are personal to grantee

An award is personal to the grantee and shall not be transferable or assignable except in circumstances where the written consent of the Company has been obtained and a waiver has been granted by the Stock Exchange for such transfer in compliance with the requirements of the Listing Rules and provided that any such transferee agrees to be bound by the rules of the Post-[**REDACTED**] Scheme as if the transferee were the grantee.

Options granted to directors or substantial shareholders of the Company

Each grant of options to any director, chief executive or substantial shareholder of our Company (or any of their respective associates) must first be approved by the remuneration committee of the Board (excluding any member who is a proposed recipient of the grant of the award) and the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options). In addition,

(a) where any grant of awards (but not any grant of options) to any Director (other than an independent non-executive Director) or chief executive of the Company would result in the Shares issued and to be issued in respect of all awards granted (excluding any awards lapsed in accordance with the terms of the Post-[**REDACTED**] Share Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue at the date of such grant; or

(b) where any grant of awards to an independent non-executive director or substantial shareholder of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all awards already granted (excluding any awards lapsed in accordance with the terms of the Post-[**REDACTED**] Share Scheme) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of Shares in issue,

such further grant of Awards must be approved by Shareholders in general meeting in the manner required, and subject to the requirements set out, in the Listing Rules.

Award letter and notification of grant of options

An offer shall be made to selected participants by a letter which specifies the terms on which the award is to be granted. Such terms may include the number of Shares in respect of which the award relates, the issue price or Exercise Price (as applicable), the vesting criteria and conditions, the vesting date, any minimum performance targets that must be achieved, and may include at the discretion of the Board or its delegate(s) such other terms either on a case basis or generally.

Unless otherwise specified in the award letter, a grantee shall have 20 business days from the date of grant to accept the award. A grantee may accept an award by giving written notice of their acceptance to our Company, the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable), together with remittance in favour of the Company of any consideration payable upon grant of the award. Any award may be accepted in whole or in part provided that it must be accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that an award is not accepted within the time and in the manner indicated above, it shall be deemed to have been irrevocably declined and shall automatically lapse.

Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

Cancellation of awards

Any awards granted but not exercised may be cancelled by the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) at any time with the prior consent of the grantee. Issuance of new awards to the same grantee whose awards have been cancelled pursuant to rules of the scheme may only be made if there are unissued awards available under the scheme mandate (excluding the awards of the relevant grantee cancelled aforementioned) and in compliance with the terms of the Post-[**REDACTED**] Share Scheme.

Lapse of option

Without prejudice to the authority of the Board or the committee of the Board or person(s) to which the Board has delegated its authority to provide additional situations when an award shall lapse in the terms of any award letter, an award shall lapse automatically (to the extent not already vested and exercised) on the earliest of:

(i) the expiry of the applicable period within which an option may be exercised, and shall not expire later than 10 years from the date of grant (the "**Exercise Period**");

(ii) the expiry of any of the periods for exercising an option as referred to in the sub-section headed "Ceasing to be an eligible participant";

(iii) the date on which the Board makes a determination under the clawback mechanism of the Post-[**REDACTED**] Share Scheme, as referred to in the sub-section headed "Clawback" below; and

(iv) the date on which the grantee commits a breach of the rules of the Post-[**REDACTED**] Share Global Option Scheme.

Voting and dividend right

Awards do not carry any right to vote at general meetings of the Company, nor any right to dividends, transfer or other rights.

Alterations in the capital structure of the Company

In the event of any alteration in the capital structure of the Company by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares or reduction of the share capital of the Company (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party) after the adoption date, the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) shall make such corresponding adjustments, if any, as it in its discretion may deem appropriate to reflect such change with respect to:

(a) the number of Shares constituting the Scheme Mandate Limit or Service Provider Sublimit, provided that in the event of any Share subdivision or consolidation the Scheme Mandate Limit and Service Provider Sublimit as a percentage of the total issued Shares of the Company at the date immediately before any consolidation or subdivision shall be the same on the date immediately after such consolidation or subdivision;

(b) the number of Shares in each award to the extent any award has not been exercised;

(c) the Exercise Price of any option or issue price of any share award,

or any combination thereof, as the auditors or a financial advisor engaged by the Company for such purpose have certified satisfy the relevant requirements of the Listing Rules and are, in their opinion, fair and reasonable either generally or as regards any particular grantee, provided always that (i) any such adjustments should give each grantee the same proportion of the equity capital of the Company, rounded to the nearest whole Share, as that to which that grantee was previously entitled prior to such adjustments, and (ii) no such adjustments shall be made which would result in a Share being issued at less than its nominal value. The capacity of the auditors or financial advisor (as the case may be) is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the grantees.

Clawback

In the event that:

(a) a grantee ceases to be a selected participant by reason of the termination of his/her employment or contractual engagement with the Group, a Holding Company, subsidiaries of the Holding Company other than members of the Group or any company which is an associate of the Company (together with the Holding Company and its subsidiaries other than members of the Group, the "**Related Entities**") for cause or without notice or with payment in lieu of notice;

(b) a grantee has been convicted of a criminal offence involving his/her integrity or honesty; or

(c) in the reasonable opinion of the Board, a Grantee has engaged in serious misconduct or breaches the terms of this Scheme in any material respect,

then the Board may make a determination at its absolute discretion that: (A) any awards issued to that grantee but not yet exercised shall immediately lapse, regardless of whether such awards have vested or not, (B) with respect to any Shares issued or transferred to that grantee, the grantee shall be required to transfer back to the Company or its nominee (1) the equivalent number of Shares, (2) an amount in cash equal to the market value of such Shares, or (3) a combination of (1) and (2).

Ceasing to be a selected participant

If a grantee ceases to be a selected participant by reason of his/her retirement, (i) any outstanding awards not yet vested shall continue to vest in accordance with the vesting dates set out in the award letter, or such other period as the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) may determine at their sole discretion, and (ii) any vested option may be exercised within the Exercise Period, failing which such option shall lapse.

If a grantee ceases to be a selected participant by reason of (i) death of the grantee; or (ii) the termination of his/her employment or contractual engagement with any member of the Group or Related Entity by reason of his/her permanent physical or mental disablement:

(a) in the case of options: any vested option may be exercised within the Exercise Period by the personal representatives of the grantee. In the case where a grantee no longer has any legal capacity to exercise the option, the vested option may be exercised within that period by the persons charged with the duty of representing the grantee under applicable laws. If the vested option is not exercised within the time mentioned above, the option shall lapse; and

(b) in the case of share awards: any outstanding share awards not yet vested shall immediately vest, and the Company shall issue such number of Shares or pay an amount equal to the actual price at which Shares are sold (net of brokerage, trading fee, transaction levy and any other applicable costs) (hereinafter referred to as "**Benefits**") pursuant to the vested share awards to the legal personal representatives of the grantee or the persons charged with the duty of representing the grantee under applicable laws as soon as practicable following the death or incapacity of the grantee or, if the Benefits would otherwise become bona vacantia, the Benefits shall be forfeited and shall lapse.

If a grantee is declared bankrupt or becomes insolvent or makes any arrangements or composition with his/her creditors generally, they shall cease to be a selected participant under the Post-[**REDACTED**] Share Scheme and any awards not yet vested and any outstanding options not yet exercised shall immediately be forfeited and shall lapse, unless the Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) determines otherwise at their absolute discretion.

If a grantee ceases to be a selected participant other than in any of the circumstances described above, unless otherwise determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority, a grantee may exercise any vested Share Options within 20 business days of such cessation or within the Exercise Period, whichever is the shorter. If an option is not exercised within the stipulated time, the option shall be forfeited and shall lapse. Any outstanding share awards not yet vested shall immediately be forfeited and shall lapse, unless the Board or person(s) to which the Board has delegated its authority, determines otherwise at their absolute discretion.

Change of control

If there is an event of change in control of the Company as the result of a merger, scheme of arrangement or general offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at its sole discretion determine whether the vesting dates of any awards will be accelerated and/or the vesting conditions or criteria of any awards will be amended or waived, and notify grantees accordingly.

Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be identical to the then existing issued Shares of the Company and subject to all the provisions of the memorandum and articles of association of the Company for the time being in force and will rank *pari passu* with the other fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company. For the avoidance of doubt, a grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

Duration

The Post-[**REDACTED**] Share Scheme shall be valid and effective for the period of 10 years commencing on the [**REDACTED**] and ending on the 10th anniversary of the [**REDACTED**] (the "**Scheme Period**") (after which, no further options shall be offered or granted under the Post-[**REDACTED**] Share Scheme), and thereafter for so long as there are any unvested awards granted prior to the expiration of the aforementioned period, in order to give effect to the vesting of such awards or otherwise as may be required in accordance with the provisions of the rules of the Post-[**REDACTED**] Share Scheme.

Alteration of the Post-[REDACTED] Share Scheme

The Board or the committee of the Board or person(s) to which the Board has delegated its authority (as applicable) may subject to the rules of the Post-[**REDACTED**] Share Scheme amend any of the provisions of the Post-[**REDACTED**] Share Scheme or any awards granted under the Post-[**REDACTED**] Share Scheme at any time and in any respect, provided that the terms of this Scheme or Awards so altered must comply with the relevant requirements of Chapter 17 of the Listing Rules.

Any amendment or alteration to the terms of any award the grant of which was subject to the approval of a particular body (such as the Board or any committee thereof, the independent nonexecutive Directors, or the Shareholders in general meeting) shall be subject to approval by that same body, provided that such requirement is not applicable where the relevant alteration takes effect automatically under existing terms of the Post-[**REDACTED**] Share Scheme. Without limiting the generality of the foregoing, any change in the terms of awards granted to any grantee who is a Director, chief executive or substantial shareholder of the Company, or any of their respective associates, must be approved by the Shareholders in general meeting in the manner required in the Listing Rules if the initial grant of the awards requires such approval (except where the changes take effect automatically under the rules of Post-[**REDACTED**] Share Scheme).

Termination

The Post-[**REDACTED**] Share Scheme shall terminate on the earlier of (a) the expiry of the Scheme Period; and (b) such date of early termination as determined by the Board, following which no further awards will be offered or granted thereunder, provided that notwithstanding such termination, the Post-[**REDACTED**] Share Scheme and rules thereof shall continue to be valid and effective to the extent necessary to give effect to the vesting and exercise of any awards granted prior to the termination of the Post-[**REDACTED**] Share Scheme and such termination shall not affect any subsisting rights already granted to any grantee thereunder. Awards complying with the provisions of Chapter 17 of the Listing Rules which are granted during the life of the Post-[**REDACTED**] Share Scheme and remaining unvested, unexercised and unexpired immediately prior to the termination of the operation of the Post-[**REDACTED**] Share Scheme shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the Post-[**REDACTED**] Share Scheme.

OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

3. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate of US$700,000 for acting as the sponsors for the [**REDACTED**].

4. Consent of experts

This document contains statements made by the following experts

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities as defined under the SFO
UBS Securities Hong Kong Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities as defined under the SFO
Shihui Partners	Legal advisor to the Company as to PRC laws
Ernst & Young	Certified Public Accountants under Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
China Insights Industry Consultancy Limited	Industry consultant
Ogier	Legal advisor to the Company on Cayman Islands law

Save as disclosed, as of the Latest Practicable Date, none of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

8. Disclaimers

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) there are no commissions for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and

(ii) there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the part headed "— Other information — Consent of experts" received any such payment or benefit.

(b) Save as disclosed in this document:

(i) there are no founder, management or deferred shares in our Company or any member of our Group;

(ii) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this document, or are proposed to be paid, allotted or given to any promoters;

(iii) none of the Directors or the experts named in the part headed "— Other information — Consent of experts" above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iv) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;

(v) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;

(vi) there are no outstanding debentures of our Company or any member of our Group;

(vii) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;

(viii) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option; and

(ix) there are no contracts or arrangements subsisting at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in "Statutory and General Information — Other Information — Consent of Experts" in Appendix IV; and

(b) copies of the material contracts referred to in "Statutory and General Information — Further Information About Our Business — Summary of Material Contracts" in Appendix IV.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **https://www.gumingnc.com/** up to and including the date which is 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the material contracts referred to in "Statutory and General Information — Further Information About Our Business — Summary of Material Contracts" in Appendix IV;

(c) the service contracts and the letters of appointment with our Directors referred to in "Statutory and General Information — Further Information About our Directors — Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV;

(d) the report issued by China Insights Industry Consultancy Limited, a summary of which is set forth in "Industry Overview";

(e) the PRC legal opinion issued by Shihui Partners, our PRC Legal Advisor, in respect of certain general corporate matters and property interests in China of our Group;

(f) the Accountant's Report and the report on the unaudited pro forma financial information of our Group from Ernst & Young, the texts of which are set out in Appendices I and II, respectively;

(g) the audited combined financial statements of our Company for the years ended December 31, 2021 and 2022;

(h) the letter of advice prepared by Ogier, our legal advisor on Cayman Islands law, summarising certain aspects of Cayman company law referred to in Appendix III;

(i) the Cayman Companies Act;

(j) the written consents referred to in "Statutory and General Information — Other Information — Consent of Experts" in Appendix IV; and

(k) the terms of the Post-[**REDACTED**] Share Scheme.