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Application Proof of

MIXUE Group
蜜雪冰城股份有限公司

(the "**Company**")

(A joint stock company incorporated in the People's Republic of China with limited liability)

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MIXUE
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MIXUE Group
蜜雪冰城股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on [REDACTED] in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

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[REDACTED]

IMPORTANT

[REDACTED]

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[REDACTED]

EXPECTED TIMETABLE[1]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

CONTENTS

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CONTENTS

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

OUR MISSION, VISION AND CORE VALUES

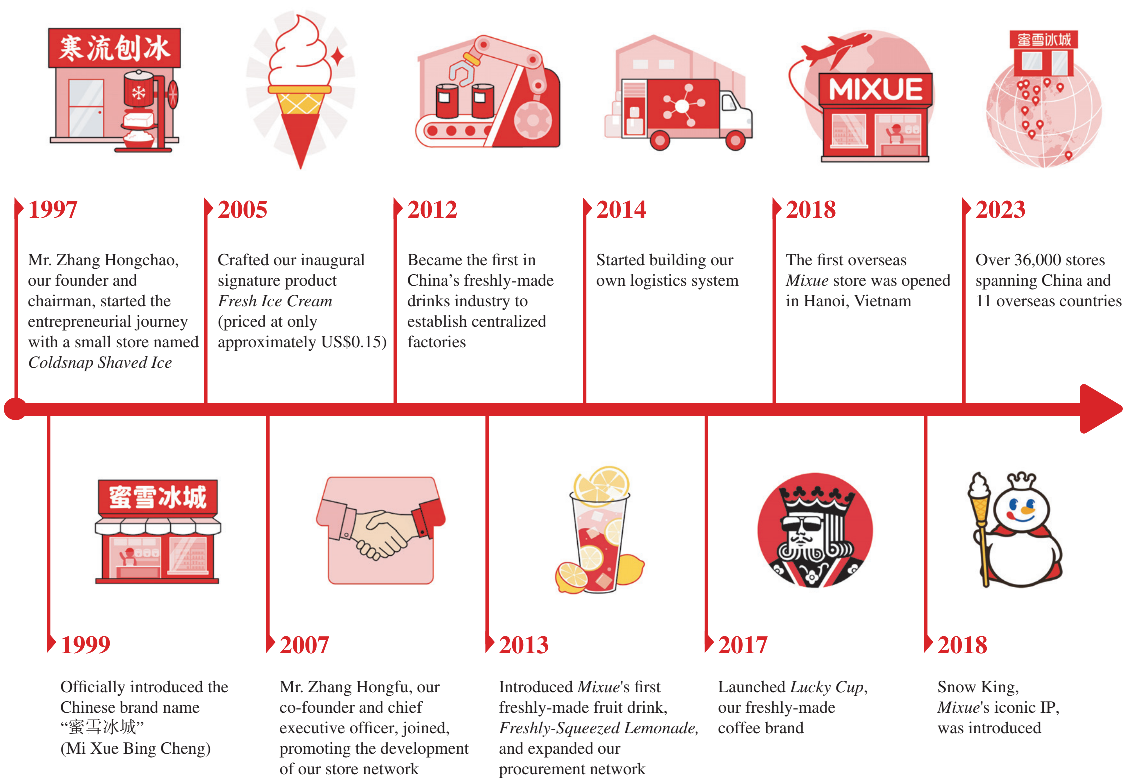
Our Mission. Make our brands stronger, our partners more successful, and enable everyone around the world to enjoy high-quality delicious products with value for money.

Our Vision. Stay simple, stay focused, build respectable brands lasting for centuries.

Our Core Values. Sincere people, genuine hearts, and authentic products; take the right path and uphold integrity.

OVERVIEW

We are a world-leading freshly-made drinks company. We are committed to providing high-quality value-for-money (高質平價) products to consumers, including freshly-made fruit drinks, tea drinks, ice cream and coffee, typically priced around one U.S. dollar (approximately RMB6) per item. We have two major brands – freshly-made tea drinks brand *Mixue* and freshly-made coffee brand *Lucky Cup*. Through a franchise model, we have cultivated a network of over 36,000 stores spanning China and 11 overseas countries as of September 30, 2023. During the nine months ended September 30, 2023, approximately 5.8 billion cups of drinks were sold through our store network. We are China's largest, and the world's second largest freshly-made drinks company, in terms of both number of stores as of September 30, 2023, and number of cups sold during the nine months ended September 30, 2023, according to CIC.



In 1997, Mr. Zhang Hongchao, our founder and chairman of the Board, set out to open a small store named *Coldsnap Shaved Ice* "寒流刨冰" in Zhengzhou, China. With a homemade shaved ice machine, Mr. Zhang Hongchao embarked on the entrepreneurial journey in the realm of freshly-made drinks. In 1999, the Chinese brand name "蜜雪冰城" (Mi Xue Bing Cheng) was officially introduced – a name that signifies blissful sweetness and refreshing coolness.

In 2005, Mr. Zhang Hongchao crafted an ice cream cone (now our *Fresh Ice Cream*) through continuous experiments and refinements, using ingredients including milk, eggs, corn flour and sugar while priced at only RMB1 (approximately US$0.15). This *Fresh Ice Cream* was an instant hit and became our inaugural signature product. In 2007, *Mixue*'s first *Fresh Ice Cream* specialty store was opened. Over time, with ingredient upgrades and recipe refinements, *Fresh Ice Cream*, now priced at only RMB2 (approximately US$0.30), continues to captivate consumers. During the nine months ended September 30, 2023, approximately 442 million cups of *Fresh Ice Cream* were sold through our store network in China, solidifying its position as one of the best-selling items in China's freshly-made drinks industry. The success of *Fresh Ice Cream* is a living testament to our commitment to offering high-quality products with value for money for over 20 years.

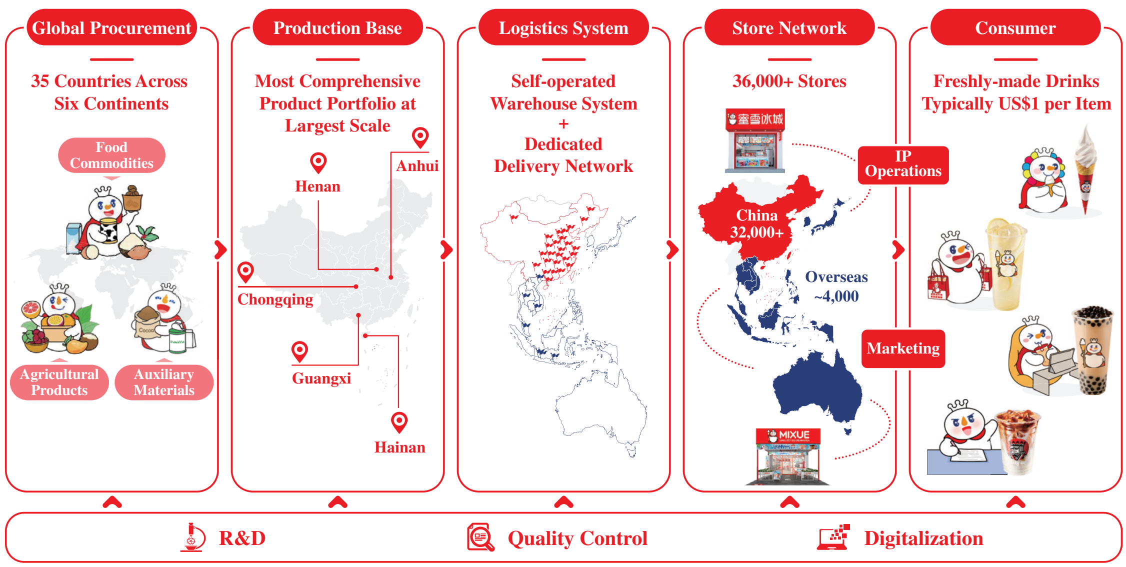
In 2007, Mr. Zhang Hongfu, our co-founder and chief executive officer, joined our venture. Leveraging his successful first-hand experience in operating stores, Mr. Zhang Hongfu formulated a standardized system for store operations and management, which we subsequently rolled out through a franchise model. As we promoted and enhanced our franchise business model, Mr. Zhang Hongfu continued to hone core capabilities that are crucial to such model, covering brand building, store operations, marketing, and product management. Similar to our franchisees who are themselves entrepreneurs building a business from the ground up and standing at the forefront of store operations, Mr. Zhang Hongchao and Mr. Zhang Hongfu empathize profoundly with our franchisees, and adhere to the alignment of interests with them. This empathy enables us to continuously expand our franchise network, achieve an unparalleled scale of store network, and deliver a consistently compelling consumer experience. As of September 30, 2023, we had over 16,000 franchisees. According to the CIC Survey, approximately 98% of surveyed franchisees acknowledge our commitment to an interest-aligned, mutually beneficial relationship that caters to their needs. Additionally, more than 92% of surveyed franchisees would recommend our franchise opportunity to their friends and relatives.

In 2012, we became the first in China's freshly-made drinks industry to establish centralized factories. With the rapid growth of our business, we decided to venture upstream into production to ensure the quality and stability of ingredients supply while achieving cost optimization and efficiency improvement. Through over ten years of efforts, we have built five production bases occupying a total of 0.67 million square meters, covering a full range of ingredients including products of syrups, milk, tea, coffee, fruit, grains and condiments ("糖、奶、茶、咖、果、糧、料"). Our total annual production capacity reached approximately 1.43 million tons, and we possessed 84 patents as of September 30, 2023. *Mixue* is one of the very few brands in China's freshly-made drinks industry from which franchisees procure 100% of their ingredients, packaging materials and store equipment. Approximately 60% of the ingredients we provide to franchisees are self-produced, the highest in China's freshly-made drinks industry according to CIC, with the core ingredients being 100% self-produced.

In 2013, with the introduction of *Freshly-Squeezed Lemonade*, *Mixue*'s first freshly-made fruit drink, we extended our procurement network upstream to cover agricultural products. During the nine months ended September 30, 2023, approximately 913 million cups of *Freshly-Squeezed Lemonade* were sold through our store network domestically, which has become the best-selling item in China's freshly-made drinks industry. Over the years, we have continuously enhanced our global procurement network to access premium resources, while establishing collaborative planting bases to ensure direct and stable supply of agricultural products. For example, we are the largest lemon purchaser in China in terms of purchase volume in the nine months ended September 30, 2023, according to CIC. In the nine months ended September 30, 2023, our collaborative planting base located in Anyue, Sichuan, provided approximately 44,000 tons of lemons to us.

In 2014, we started building our own logistics system and became the first in China's freshly-made drinks industry to offer nationwide free logistics services to our franchisees, supporting their store expansion across China without potential constraints related to long-haul logistics expenses. Through nearly ten years of development, our self-operated warehouse system and dedicated delivery network now support the most extensive store network in the industry. As of September 30, 2023, our delivery network covered 31 provinces, autonomous regions and municipalities, including nearly 300 cities, 1,700 counties and 3,100 towns in China. As of September 30, 2023, we were capable of reaching over 90% of the county-level regions in China within 12 hours.

Through a series of measures including establishing our global procurement network, production bases and logistics system, we have built the largest and most comprehensive end-to-end supply chain in China's freshly-made drinks industry, encompassing essential aspects covering procurement, production, logistics, R&D and quality control. This expansive and highly efficient supply chain is the bedrock of our ability to offer high-quality products with value for money, supporting our expansion across geographies and product categories.



In 2017, we launched *Lucky Cup*, our freshly-made coffee brand. Sharing the same mission as *Mixue*, *Lucky Cup* remains steadfast in providing high-quality freshly-made coffee with value for money to everyone. With a network of approximately 2,900 stores, *Lucky Cup* ranks as the 4th largest freshly-made coffee brand in China in terms of number of stores as of September 30, 2023, according to CIC.

In 2018, the first overseas *Mixue* store was opened in Hanoi, Vietnam. We aspire to bring the sweetness and love embodied in our high-quality freshly-made drinks with value for money to overseas consumers. As of September 30, 2023, we had approximately 4,000 stores in 11 overseas countries. *Mixue* is the largest freshly-made tea drinks brand in Southeast Asia in terms of number of stores as of September 30, 2023, according to CIC.

With over 20 years of efforts and accumulations, *Mixue* has become a household brand. To humanize our brand and elevate it to new heights, we introduced Snow King "雪王", *Mixue*'s iconic IP and lifelong brand ambassador in 2018, with a vibrant matrix of audio and video content. Today, Snow King stands out as an iconic cultural symbol that extends beyond the realm of drinks and becomes an integral part of our consumers' daily lives. Across different countries and diverse cultural background globally, Snow King has gathered a vast and loyal fanbase. As of the Latest Practicable Date, the hashtags for Snow King and *Mixue* theme song had garnered more than 8.7 billion and 8.4 billion views across major social platforms, respectively. As of September 30, 2023, *Mixue* had approximately 215 million registered members, with approximately 38 million monthly active members in September 2023.

Our founders and management team have always adhered to the long-term perspective, carrying a strong sense of social responsibility and implementing sustainable development strategies. With Mr. Zhang Hongchao as chairman and Mr. Zhang Hongfu as vice chairman of our dedicated ESG Committee, we are committed to being a socially and environmentally responsible company, creating job opportunities, empowering farmers, promoting green development and advocating for social welfare. In 2022, we created or supported approximately 500,000 job opportunities. As of the Latest Practicable Date, approximately 35% of our franchisees, and 68% of store employees were female. In 2022, our agricultural procurement initiatives helped improve the livelihoods of approximately 110,000 farming households nationwide, and our efforts in green packaging upgrades led to a substantial reduction in the consumption of PE plastics by over 3,600 tons. We have also entered into a long-term industry-academia-research partnership with Jiangnan University and provided support to Westlake University in advancing R&D on biodegradable plastics.

In 2022 and the nine months ended September 30, 2023, GMV generated through our store network amounted to approximately RMB30.0 billion and RMB37.0 billion, respectively, which makes us the largest freshly-made drinks company in China, according to CIC. We achieved strong financial performance throughout the Track Record Period, with robust growth, high profitability and ample cash flows on top of a large scale. In 2022 and the nine months ended September 30, 2023, we recorded revenue of RMB13.6 billion and RMB15.4 billion, respectively, representing year-over-year growth of 31.2% and 46.0%. Our net profit amounted to RMB2.0 billion and RMB2.5 billion in 2022 and the nine months ended September 30, 2023, respectively, growing by 5.3% and 51.1% year-over-year. We have consistently generated net cash flows from operating activities, which totaled RMB1.7 billion, RMB2.4 billion and RMB3.1 billion in 2021, 2022 and the nine months ended September 30, 2023, respectively.

OUR BRANDS AND PRODUCTS

We have two major brands – freshly-made tea drinks brand *Mixue* and freshly-made coffee brand *Lucky Cup*.

Our Freshly-Made Tea Drinks Brand – *Mixue*

Mixue primarily offers freshly-made fruit drinks, tea drinks and ice cream to consumers both in China and overseas. Our core *Mixue* products typically have a price range of RMB2 to RMB8. During the Track Record Period, the vast majority of GMV was generated through our *Mixue* stores.

Snow King, our *Mixue* lifelong brand ambassador, has become the sole iconic IP in China's freshly-made drinks industry, setting our brand apart from other brands in the industry. According to the CIC Survey, when asked about the iconic IP in the freshly-made drinks industry in China, 79.1% of the consumers named Snow King.

Today, *Mixue* has become a household brand in China with significant consumer mind-shares. According to the CIC Survey, 93.0% of the surveyed consumers recognize *Mixue*. Additionally, *Mixue* is the first choice for and synonymous with freshly-made drinks in general, as well as high-quality value-for-money freshly-made drinks in particular.

Our Freshly-Made Coffee Brand – *Lucky Cup*

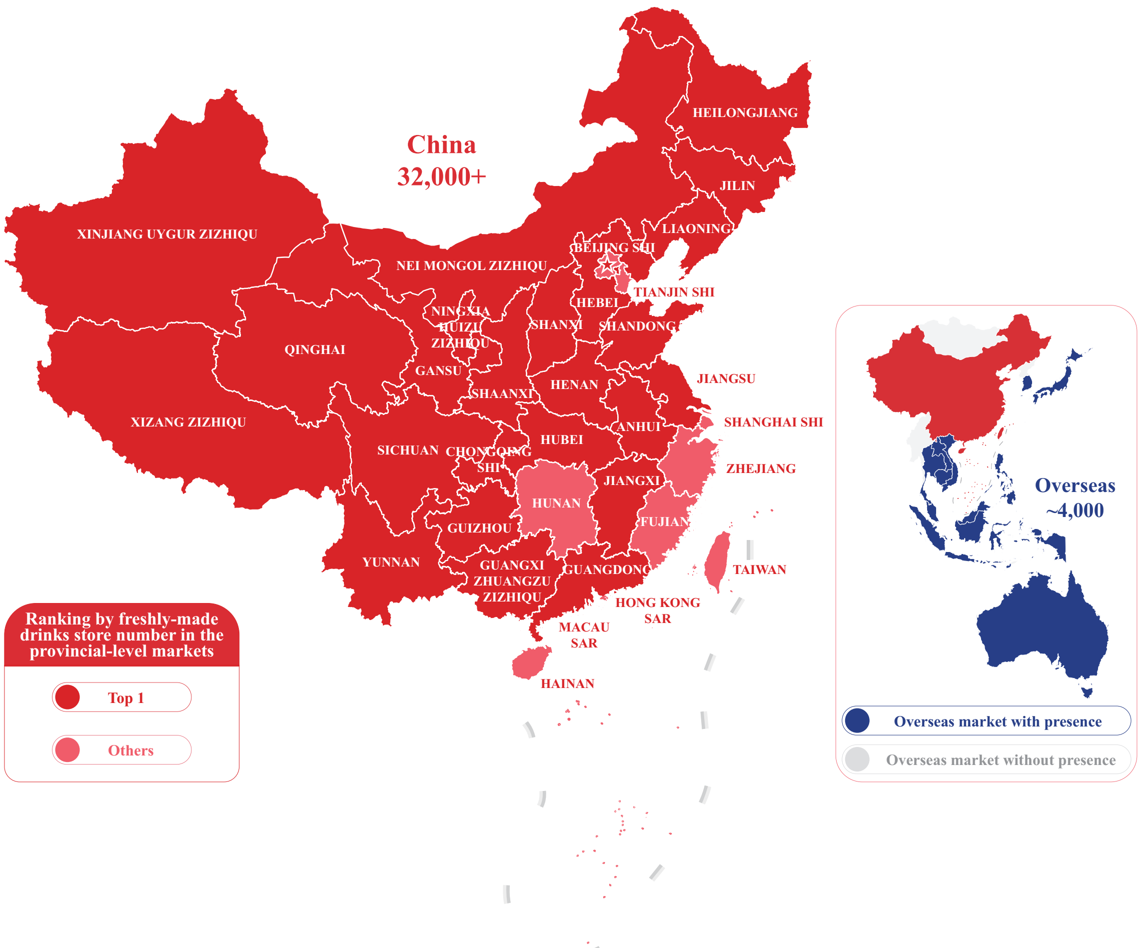
With the foresight into the growing demand for freshly-made coffee products in China, we launched a freshly-made coffee brand *Lucky Cup* in 2017 to expand our product categories, building on *Mixue*'s success. *Lucky Cup* primarily offers freshly-made coffee drinks, ranging from classic products to trendy, innovative ones. Our core *Lucky Cup* products typically have a price range of RMB5 to RMB10.

For further details, see "Business — Our Brands and Products".

OUR STORE NETWORK

Our store network spans over 36,000 stores serving consumers both in China and overseas. As of September 30, 2023, we have established store presence across 31 provinces, autonomous regions and municipalities, including nearly 300 cities, 1,700 counties and 3,100 towns in China, spanning across all tiers of cities with an industry-leading penetration in lower-tier markets, according to CIC. This extensive geographic reach and deep penetration set us apart from other freshly-made drinks brands in China. We have also established a substantial, growing presence in overseas markets, with approximately 4,000 stores in 11 overseas countries as of September 30, 2023.

Our Store Network in China and Overseas



For illustrative purpose only, the map (Map Review Number (審圖號): GS(2021)5447, GS(2016)2948) is presented to demonstrate our footprint in China and overseas.

The following table sets forth the number of our stores in China by city tier and their percentages of the total number of stores in China as of the dates indicated.

	As of December 31,				As of September 30,	
	2021		2022		2023	
First-tier cities	782	4.0%	1,190	4.4%	1,444	4.5%
New first-tier cities	4,172	21.1%	5,710	21.0%	6,725	20.9%
Second-tier cities	3,187	16.2%	4,739	17.4%	5,714	17.7%
Third-tier and below cities	11,590	58.7%	15,549	57.2%	18,297	56.9%
Total number of stores in China	**19,731**	**100.0%**	**27,188**	**100.0%**	**32,180**	**100.0%**

For further details, see "Business — Our Store Network".

OUR FRANCHISE MODEL

We primarily operate through a franchise model, and the vast majority of our revenue during the Track Record Period was generated from sales of goods and equipment to franchised stores. As of September 30, 2023, more than 99.8% of our stores were franchised stores, with the rest being our self-operated stores. Under our franchise model, we authorize our franchisees to sell freshly-made drinks through franchised stores under our brands, and the franchisees purchase store supplies and equipment from us as part of their daily operations. Franchisees are the owners of these stores and are accountable for their results of operations. We also stipulate that franchisees adhere to our comprehensive, standardized operational procedures and requirements.

We believe our interest-aligned franchise model drives our franchisees' decision to partner with us. To align interests with our franchisees, we have systematically devised a range of policies and measures. The initial investment and franchise fee for our stores are below the average within China's freshly-made drinks industry. In terms of our revenue model, franchise and related service fees are not our primary sources of revenue. Throughout the Track Record Period, only 2% of our revenue was generated from franchise and related services. Our expansive and highly efficient supply chain provides franchisees with a competitive one-stop solution, improving their profitability and elevating consumer experience. We are the only company within China's freshly-made drinks industry to offer complimentary logistics services, store design services, and promotional materials altogether. Our interest-aligned cooperation with franchisees is also demonstrated by our standardized management, and continuous support and empowerment of franchisees through highly-digitalized operational system to enhance their operational efficiency. Under the philosophy of aligning interests with franchisees, we have together achieved an unparalleled store scale and built a healthy and sustainable franchise model.

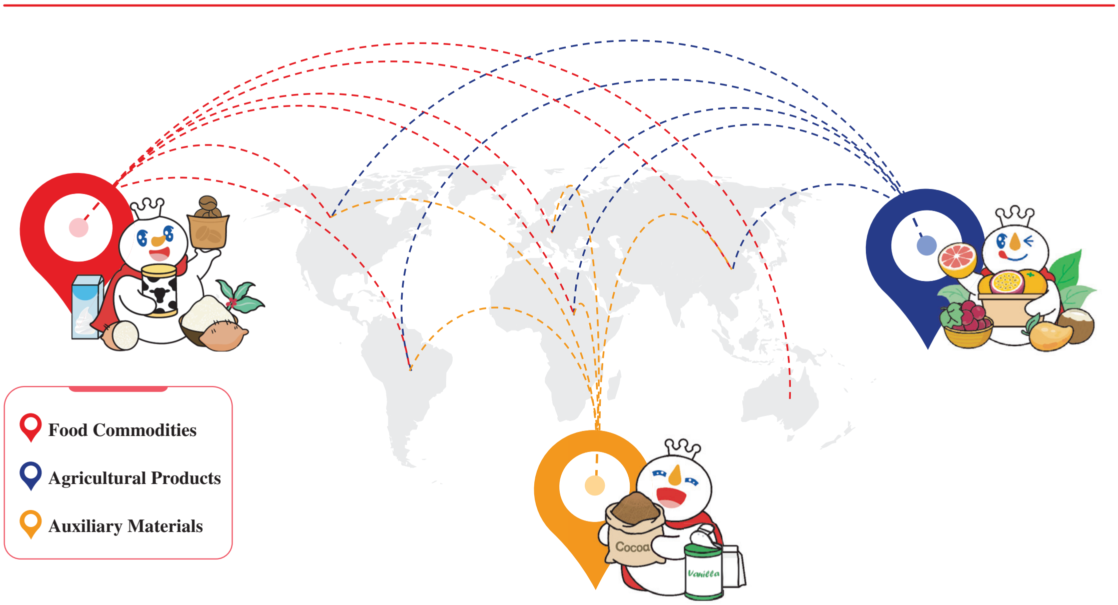
For further details, see "Business — Our Store Operations".

OUR SUPPLY CHAIN

We operate the largest and most comprehensive end-to-end supply chain in China's freshly-made drinks industry, according to CIC. Our highly digitalized and expansive supply chain, encompassing essential aspects that cover procurement, production, logistics, R&D and quality control, fundamentally distinguishes us from our peers and enables us to provide our franchisees with a competitive one-stop solution.

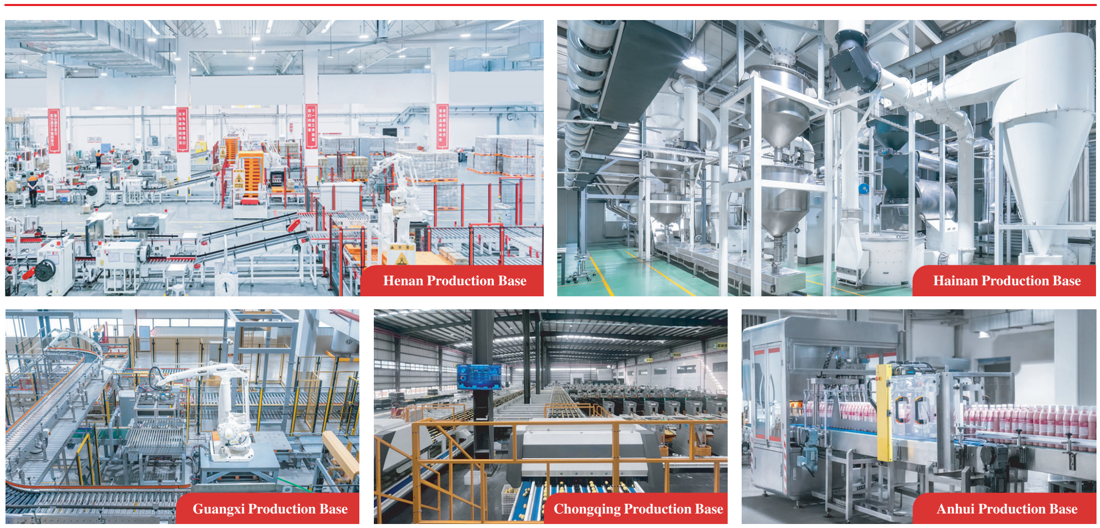
Procurement. Through an extensive global procurement network spanning 35 countries across six continents, we gain access to premium raw materials resources, and utilize digital tools to ensure the quality and stability of supply. Our raw materials procurement primarily comprises food commodities, agricultural products and other auxiliary materials. With our global procurement network extended to the origins of raw materials, and our industry-leading procurement scale, we are able to secure many core raw materials at prices below the industry average. This enables us to attract consumers and franchisees by offering products with greater value for money.

Global Procurement Network Spanning 35 Countries across Six Continents



Production. As of September 30, 2023, our production encompasses the most comprehensive product portfolio at the largest scale in the supply chain of China's freshly-made drinks industry, according to CIC. We have five production bases in Henan, Hainan, Guangxi, Chongqing and Anhui, occupying a total of 0.67 million square meters and having a total annual production capacity of approximately 1.43 million tons. Through our in-house R&D and production capabilities, we offer a one-stop ingredients solution with full categories including products of syrups, milk, tea, coffee, fruit, grains and condiments.

Our Production Bases



Logistics. Our self-operated warehouse system and dedicated delivery network are able to support the most extensive store network in China's freshly-made drinks industry. Our warehouse system, which is the largest in the industry, comprises 26 warehouses nationwide, totaling over 300,000 square meters. Our delivery network has the broadest geographical coverage and the deepest penetration in lower-tier markets in the industry, spanning 31 provinces, autonomous regions and municipalities, nearly 300 cities, 1,700 counties and 3,100 towns across China.

For illustrative purpose only, the map (Map Review Number (審圖號): GS(2021)5447) is presented to demonstrate our logistics system in China.

R&D. Our R&D efforts seamlessly combine both application R&D for product tastes and recipes and fundamental R&D for ingredient-related technologies, production techniques, recipes and equipment. This holistic R&D approach leads to our industry-leading research capabilities for core ingredients and ability to continuously offer high-quality value-for-money freshly-made drinks for consumers.

Quality control. We maintain and implement robust quality control standards to ensure the consistent high quality of outputs throughout our entire supply chain.

For further details, see "Business — Our Supply Chain".

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily include the franchisees who operate franchised stores pursuant to the franchise agreements with us. We generated the vast majority of our revenue from the sales of goods and equipment to franchised stores. To a much lesser extent, we also sell our products directly to retail customers through self-operated stores and e-commerce retail channels, and we sell certain goods and equipment to some corporate customers. All of our five largest customers during the Track Record Period are our franchisees. In 2021, 2022 and the nine months ended September 30, 2023, revenue from our five largest customers accounted for 1.9%, 1.4% and 1.2% of our total revenue for the respective periods. During the Track Record Period, we were not subject to any material customer concentration risk. For further details, see "Business — Our Customers".

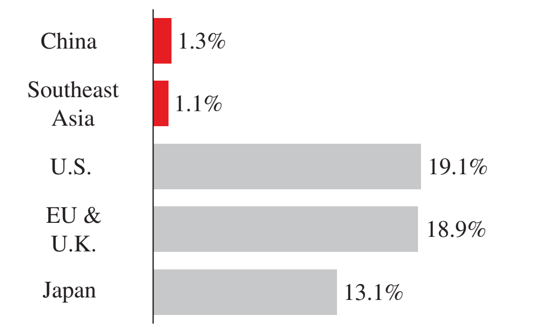
Our suppliers primarily include the suppliers of raw materials to support our production, such as food commodities, agricultural products and other auxiliary materials. See also "Business — Our Supply Chain — Procurement". In 2021, 2022 and the nine months ended September 30, 2023, purchases from our five largest suppliers accounted for 19.3%, 16.6% and 17.2% of total purchases for the respective periods. During the same periods, purchases from our largest supplier accounted for 5.0%, 4.6% and 6.2% of our total purchases, respectively. For further details, see "Business — Our Suppliers".

MARKET OPPORTUNITIES

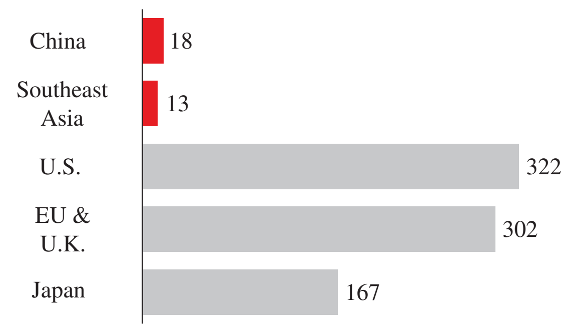
The global freshly-made drinks market is a vast market with potential for accelerated growth in the coming years. As measured by GMV, the market is projected to grow with an accelerated CAGR of 7.5% from 2022 to 2028 to reach US$1,114.7 billion in 2028, constituting nearly half of the overall global drinks market by 2028. The rapid expansion of emerging markets, particularly China and Southeast Asia, has been a key contributor to the accelerated growth anticipated in the global freshly-made drinks market. The cumulative growth of these two markets is projected to contribute nearly 40% to the total growth of the global freshly-made drinks market during the same period, increasing their combined shares in the global freshly-made drinks market from 10.9% in 2022 to 20.2% in 2028.

The rapid growth of the China and Southeast Asia markets is rooted in the structural shift in their populations' fluid intake towards more freshly-made drinks. In 2022, freshly-made drinks consumption volume as a percentage of total fluid intake, and per capita annual consumption of freshly-made drinks in China and Southeast Asia were substantially lower than those of developed markets, as illustrated in the chart below. By 2028, per capita annual consumption of freshly-made drinks in China and Southeast Asia is expected to nearly triple to 52 cups and 36 cups, respectively, presenting attractive growth prospects.

Freshly-made drinks consumption volume as a percentage of total fluid intake, 2022



Annual consumption of freshly-made drinks per capita, cups per year, 2022

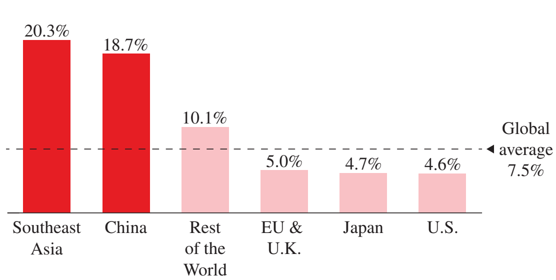


Note: Fluid intake includes freshly-made drinks, RTD drinks, milk, and tap water.

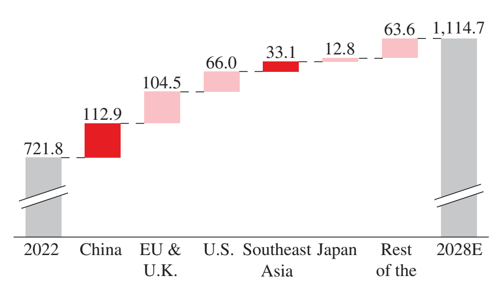
Source: CIC

China's freshly-made drinks market is projected to grow at a CAGR of 18.7% from 2022 to 2028 to reach RMB1,180.5 billion in 2028. Within this market, mass-market freshly-made drinks (with price per item not higher than RMB10) not only address growing consumer demands for value-for-money products, but also offer fresher products and superior consumer experience compared to other mass-market drinks products in the similar price range. Consequently, mass-market freshly-made drinks segment exhibits the highest growth rate among all segments by price range within China's freshly-made drinks market, growing at a CAGR of 24.0% from 2022 to 2028. The freshly-made drinks market in Southeast Asia, as measured by GMV, is projected to grow at a CAGR of 20.3% from US$16.3 billion in 2022 to US$49.4 billion in 2028, marking the fastest growth among major markets worldwide. For further details, see "Industry Overview".

CAGR from 2022 to 2028E of freshly-made drinks market in terms of GMV, Global



Increment of global freshly-made drinks market in terms of GMV, USD billion, by regions, 2022-2028E



Source: CIC

OUR COMPETITIVE STRENGTHS

We believe the following strengths have fueled our success and will continue to drive our future growth:

- China's largest and the world's second largest freshly-made drinks company;
- Highly-digitalized end-to-end supply chain pivotal to high-quality products with value for money;
- Household brand *Mixue*, iconic IP Snow King;
- Interest-aligned franchise model and highly-digitalized operational system leading to a healthy franchised store network;
- Substantial long-term growth supported by scalable expansion across geographies and product categories; and
- Resilient founders and management team anchoring a unique corporate culture centered around authenticity and strong ESG commitment.

For further details, see "Business — Our Competitive Strengths".

OUR STRATEGIES

For over 20 years, we have built strong and successful brands by staying simple and focused. We will capture the change of the times, and continue to build sustainable global brands lasting for centuries with the following strategies:

- Solidifying our strong leadership in China's freshly-made drinks industry and proactively expanding overseas; and
- Further strengthening infrastructure and operational systems to fulfill our vision to build brands lasting for centuries.

For further details, see "Business — Our Strategies".

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' 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.

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2021		2022		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
					(unaudited)			
	(in thousands, except for percentages)							
Revenue	10,350,986	100.0	13,575,577	100.0	10,543,240	100.0	15,393,328	100.0
Cost of sales	(7,107,124)	(68.7)	(9,728,740)	(71.7)	(7,572,013)	(71.8)	(10,817,689)	(70.3)
Gross profit	**3,243,862**	**31.3**	**3,846,837**	**28.3**	**2,971,227**	**28.2**	**4,575,639**	**29.7**
Other income and gains (net)	135,181	1.3	127,915	0.9	79,828	0.8	149,624	1.0
Selling and distribution expenses	(405,766)	(3.9)	(774,431)	(5.7)	(528,184)	(5.0)	(992,934)	(6.5)
Administrative expenses	(374,665)	(3.6)	(496,506)	(3.6)	(337,176)	(3.2)	(429,811)	(2.8)
Research and development expenses	(17,151)	(0.2)	(32,304)	(0.2)	(23,852)	(0.2)	(51,343)	(0.3)
Finance costs	(5,973)	(0.1)	(9,190)	(0.1)	(6,980)	(0.1)	(11,037)	(0.1)
(Impairment losses)/reversal of impairment losses on financial assets	(1,787)	(0.0)	(4,098)	(0.0)	(3,473)	(0.1)	4,480	0.1
Impairment of property, plant and equipment	(14,827)	(0.1)	–	–	–	–	(59,999)	(0.4)
Share of (losses)/profits of an associate	–	–	(180)	(0.0)	(221)	(0.0)	36	0.0
Profit before tax	**2,558,874**	**24.7**	**2,658,043**	**19.6**	**2,151,169**	**20.4**	**3,184,655**	**20.7**
Income tax expense	(646,932)	(6.2)	(644,952)	(4.8)	(527,751)	(5.0)	(731,876)	(4.8)
Profit for the year/period	**1,911,942**	**18.5**	**2,013,091**	**14.8**	**1,623,418**	**15.4**	**2,452,779**	**15.9**
Profit attributable to:								
Owners of the parent	1,910,361	18.5	1,996,715	14.7	1,616,956	15.3	2,400,853	15.6
Non-controlling interests	1,581	0.0	16,376	0.1	6,462	0.1	51,926	0.3

The table below sets forth a summary of 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	2,242,617	3,389,291	4,751,016
Total current assets	5,073,766	6,556,065	9,339,239
Total assets	**7,316,383**	**9,945,356**	**14,090,255**
Total non-current liabilities	67,495	127,436	210,791
Total current liabilities	1,706,178	2,338,653	4,025,822
Total liabilities	**1,773,673**	**2,466,089**	**4,236,613**
Net assets	**5,542,710**	**7,479,267**	**9,853,642**
Share capital	360,000	360,000	360,000
Reserves	5,177,351	7,094,297	9,403,465
Non-controlling interests	5,359	24,970	90,177
Total equity	**5,542,710**	**7,479,267**	**9,853,642**

The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2021	2022	2022	2023
			(unaudited)	
	(RMB in thousands)			
Operating cash flows before movements in working capital	2,643,793	2,816,683	2,256,509	3,357,947
Changes in working capital	(399,544)	228,172	496,926	281,589
Income tax paid	(590,081)	(658,546)	(407,172)	(584,626)
Interest received	38,221	44,322	32,715	36,781
Net cash flows generated from operating activities	1,692,389	2,430,631	2,378,978	3,091,691
Net cash flows used in investing activities	(1,831,630)	(2,201,861)	(1,547,406)	(1,997,140)
Net cash flows generated from/(used in) financing activities	726,648	(139,261)	(137,783)	(102,786)

	For the year ended December 31,		For the nine months ended September 30,	
	2021	2022	2022	2023
			(unaudited)	
	(RMB in thousands)			
Net increase in cash and cash equivalents	**587,407**	**89,509**	**693,789**	**991,765**
Cash and cash equivalents at the beginning of the year/period	2,089,486	2,675,827	2,675,827	2,764,138
Effect of foreign exchange differences (net)	(1,066)	(1,198)	1,361	3,310
Cash and cash equivalents at the end of the year/period	**2,675,827**	**2,764,138**	**3,370,977**	**3,759,213**

For further details, see "Financial Information".

KEY FINANCIAL RATIOS

	For the year ended/As of December 31,		For the nine months ended/As of September 30,
	2021	2022	2023
Revenue growth	N/A	31.2%	46.0%
Gross profit margin	31.3%	28.3%	29.7%
Current ratio[1]	3.0	2.8	2.3
Quick ratio[2]	2.2	2.1	1.7

Notes:

(1) Calculated using current assets divided by current liabilities as of the end of the year/period.

(2) Calculated using current assets less inventories and divided by current liabilities as of the end of the year/period.

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks, including risks relating to (i) our business and industry; (ii) doing business in the PRC; and (iii) the [**REDACTED**]. Some of the major risks we face include, but are not limited to, the following:

- Our business relies on consumer demand for our products, which is ever-evolving in nature and may shift upon changes in consumer preferences and perceptions, as well as consumers' discretionary spending power. Adverse changes in consumer demand for our products will harm our franchisees' and our business.

- Our future growth depends on our ability to continuously extend the footprint of our store network and successfully manage the operational performance of our expansive store network.

- The continued strength of our brands is critical to our success. If our brand value diminishes, our results of operations, financial performance and business prospects may be materially and adversely affected.

- We primarily operate through a franchise model, under which substantially all of our stores are operated by franchisees. Our results of operations depend to a large extent on the performance of these franchised stores, as well as our ability to maintain existing franchisees and attract new franchisees.

- Our franchised stores purchase store supplies and equipment from us. If we are not able to ensure the sufficient, stable and timely supply of such store supplies and equipment to support the franchised stores' operations, or if there is any disruption to our supply chain, our business will be materially and adversely affected.

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

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

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

- If we are not able to adequately protect our intellectual properties, or if we are not able to maintain the popularity of our IPs, such as our iconic IP, Snow King, our business will be materially and adversely affected.

- Our reputation, results of operations and financial performance may be materially and adversely affected if the quality and food safety of our products are compromised.

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), Mr. Zhang Hongchao directly and through Qingchun Wuwei, and Mr. Zhang Hongfu directly and through Shiyu Zuxia, will control [**REDACTED**]% and [**REDACTED**]% of our total issued share capital, respectively. Accordingly, Mr. Zhang Hongchao, Mr. Zhang Hongfu, Qingchun Wuwei and Shiyu Zuxia will be our Controlling Shareholders upon the [**REDACTED**]. For details, see "Relationship with the Controlling Shareholders".

In September 2022, Mr. Zhang Hongchao and Mr. Zhang Hongfu entered into a concert party agreement, pursuant to which they acknowledged their relationship of acting in concert in the board meetings and general meetings of the Company. It is further agreed that such acting in concert relationship will continue following the [**REDACTED**] of the Company.

Pre-[REDACTED] Investment

We completed our Pre-[**REDACTED**] Investment in December 2020 and our Pre-[**REDACTED**] investors are Longzhu Meicheng, Shenzhen Yunqi and Tianjin Panxue. Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the Pre-[**REDACTED**] Investors will hold approximately [**REDACTED**]% of the issued Shares. For further details of the identity and background of the Pre-[**REDACTED**] Investors and the principal terms of the Pre-[**REDACTED**] Investment, see "History, Development and Corporate Structure — Pre-[**REDACTED**] Investment".

DIVIDENDS

In 2021, 2022 and the nine months ended September 30, 2023, our Company declared dividends of RMB104.4 million, RMB104.4 million and RMB100.0 million, respectively, all of which had been paid in full. See Note 12 to the Accountants' Report included in Appendix I to this document for details.

As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

After the [**REDACTED**], we may declare and pay dividends mainly by cash or by stock that we consider appropriate. Decisions to declare or to pay any dividends in the future, will depend on, among other things, our Company's profitability, operations and development plans, external financing environment, costs of capital, our Company's cash flows and other factors that our Directors may consider relevant. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries.

[**REDACTED**]

Our [**REDACTED**] mainly include (i) [**REDACTED**], such as [**REDACTED**] fees and commissions, and (ii) [**REDACTED**], comprising professional fees paid to our legal advisors and reporting accountants for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [**REDACTED**] (based on the mid-point of the [**REDACTED**] range and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately HK$[**REDACTED**] million, accounting for approximately [**REDACTED**]% of our gross [**REDACTED**]. Among such estimated total [**REDACTED**], we expect to pay [**REDACTED**] of HK$[**REDACTED**] million, professional fees for our legal advisors and reporting accountants of HK$[**REDACTED**] million and other fees and expenses of HK$[**REDACTED**] million. An estimated amount of HK$[**REDACTED**] million for our [**REDACTED**], accounting for approximately [**REDACTED**]% of our gross [**REDACTED**], is expected to be expensed through the statement of profit or loss and an estimated amount of HK$[**REDACTED**] million is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. We did not recognize any [**REDACTED**] in 2021 and 2022. We recognized [**REDACTED**] of RMB[**REDACTED**] million in the nine months ended September 30, 2023 in our consolidated statements of profit or loss and other comprehensive income.

[**REDACTED**]

USE OF [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the midpoint of the range of the [**REDACTED**] stated in this document), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**] after deducting the [**REDACTED**] and other estimated expenses in connection with the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

We intend to use the net [**REDACTED**] we expect to receive from the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) for the purposes and in the amounts set out below.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for elevating the breadth and depth of our end-to-end supply chain.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for brand and IP building and marketing.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for advancing our digitalization and intelligization efforts across business processes.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for working capital and other general corporate purposes.

For further details, see "Future Plans and Use of [**REDACTED**]".

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the Latest Practicable Date, there had been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since September 30, 2023, being the end date of the periods reported on in the Accountants' Report set out in Appendix I to this document, and there had 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 and expressions shall have the meanings set out below. Certain other terms are explained in "Glossary".

"Accountants' Report"	the accountants' report of our Company, the text of which is set out in Appendix I to 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
"Articles" or "Articles of Association"	the articles of association of our Company with effect upon the [**REDACTED**] (as amended from time to time), a summary of which is set out in Appendix III to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[**REDACTED**]

[**REDACTED**]

"China" or "the PRC"	the People's Republic of China, unless the context requires otherwise, excluding, for the purposes of this document only, the regions of Hong Kong, Macau and Taiwan of the People's Republic of China
"CIC"	China Insights Industry Consultancy Limited, an independent professional market research and consulting company

"CIC Survey"	a survey conducted by CIC in October and November 2023 among (i) 2,500 consumers across various city tiers in China who, among other criteria, consumed freshly-made drinks at least four times per month during the past three months; and (ii) 300 franchisees across different city tiers in China, who became franchisees of *Mixue* before 2022, and remained as the franchisees as of the date of the survey
"close associate(s)"	has the meaning ascribed thereto 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" or "our Company"	MIXUE Group (蜜雪冰城股份有限公司), a limited liability company established in the PRC on April 30, 2008 which was converted into a joint stock company with limited liability on December 17, 2020, formerly known as Zhengzhou Liangan Enterprise Management Co., Ltd. (鄭州兩岸企業管理有限公司) and Zhengzhou Mi Xue Bing Cheng Commercial Co., Ltd. (鄭州蜜雪冰城商貿有限公司)
"Compliance Advisor"	Somerley Capital Limited
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and refers to Mr. Zhang Hongchao (張紅超), Mr. Zhang Hongfu (張紅甫), Qingchun Wuwei (青春無畏) and Shiyu Zuxia (始於足下)
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix C1 to the Listing Rules

"CSDC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Daka International Food"	Daka International Food Co., Ltd. (大咖國際食品有限公司), a limited liability company incorporated under the laws of the PRC on March 14, 2013, and a wholly-owned subsidiary of the Company
"Director(s)" or "our Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
"ESG"	Environmental, Social and Governance

[**REDACTED**]

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"Group", "our Group", "our", "we", or "us"	our Company and its subsidiaries, or any one of them as the context may require, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)
"H Share(s)"	[**REDACTED**] ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be [**REDACTED**] for and traded in Hong Kong dollars and to be [**REDACTED**] on the Hong Kong Stock Exchange

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[**REDACTED**]

"IDR"	Indonesian Rupiah, the lawful currency of Indonesia
"IFRSs"	the International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by IASB and the International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Committee (IASC)
"IIT Law"	the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》)
"Independent Third Party(ies)"	any person(s) or entity(ies) who is not a connected person of the Company within the meaning of the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Joint Sponsors"	the joint sponsors as named in the section headed "Directors, Supervisors and Parties Involved in the [**REDACTED**]"
"Latest Practicable Date"	[December 24], 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"Listing Rules" or "Hong Kong 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)

"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the GEM of the Hong Kong Stock Exchange
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

"Overseas Listing Trial Measures"	The Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) promulgated by the CSRC on February 17, 2023 and became effective on March 31, 2023
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC Legal Advisor"	Zhong Lun Law Firm, the PRC legal advisor to our Company
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"Pre-[**REDACTED**] Investor(s)"	the pre-[**REDACTED**] investors described in "History, Development and Corporate Structure — Pre-[**REDACTED**] Investment"

[**REDACTED**]

"QIBs"	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act

"Qingchun Wuwei"	Zhengzhou Qingchun Wuwei Enterprise Management Partnership (Limited Partnership) (鄭州青春無畏企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 21, 2020, details of which are set out in section headed "History, Development and Corporate Structure — Employee Shareholding Platforms", and one of our Controlling Shareholders
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"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)
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shangdao Smart Supply Chain"	Shangdao Smart Supply Chain Co., Ltd. (上島智慧供應鏈有限公司), a limited liability company incorporated under the laws of the PRC on July 5, 2018, and a wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each, including H Shares and Unlisted Shares
"Shareholder(s)"	holder(s) of the Share(s)

"Shiyu Zuxia"	Zhengzhou Shiyu Zuxia Enterprise Management Partnership (Limited Partnership) (鄭州始於足下企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 21, 2020, details of which are set out in section headed "History, Development and Corporate Structure — Employee Shareholding Platforms", and one of our Controlling Shareholders
"Snow King Smart Supply Chain Guangdong"	Snow King Smart Supply Chain (Guangdong) Co., Ltd. (雪王智慧供應鏈(廣東)有限公司), a limited liability company incorporated under the laws of the PRC on June 22, 2018, and a wholly-owned subsidiary of the Company
"Snow King Smart Supply Chain Sichuan"	Snow King Smart Supply Chain (Sichuan) Co., Ltd. (雪王智慧供應鏈(四川)有限公司), a limited liability company incorporated under the laws of the PRC on October 23, 2020, and a wholly-owned subsidiary of the Company

[**REDACTED**]

"State Council"	the State Council of the PRC (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code" or "Hong Kong Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the financial years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023

[**REDACTED**]

"United States" or "U.S."	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"Unlisted Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are not [**REDACTED**] on any stock exchange
"U.S. dollar(s)", "US$" or "USD"	United States dollar, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax

[**REDACTED**]

"Zhengzhou Baodao"	Zhengzhou Baodao Technology Co., Ltd. (鄭州寶島科技有限公司), a limited liability company incorporated under the laws of the PRC on September 28, 2010, and a wholly-owned subsidiary of the Company
"%"	per cent

This glossary of technical terms contains explanations of certain technical terms used in this document in connection with our Company and our business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

"BMS"	Billing Management System
"CAGR"	compound annual growth rate
"core ingredients"	base ingredients used to prepare our freshly-made drinks, such as certain syrups and milk products
"CPI"	Consumer Price Index
"DMS"	store supply management system
"EMS"	Energy Management System
"first-tier cities"	Beijing, Shanghai, Guangzhou and Shenzhen
"franchised stores"	stores operated by third parties under our brand names through contractual arrangements between third parties (referred to in this document as "franchisees") and us in compliance with applicable laws and regulations in a relevant market, and the associated model is referred to as "franchise model" in this document. For the avoidance of doubt, with respect to Indonesia, stores operated by third parties in Indonesia do not fall under the category of "franchised stores" as defined and regulated by applicable laws and regulations in Indonesia (and accordingly, neither do "franchisees" nor "franchise model" fall under relevant categories); rather, they are operated under a license and management model pursuant to specific management agreements with these third parties
"FSC"	Forest Stewardship Council, an international non-profit organization that sets standards under which forests and companies are certified
"GMV"	gross merchandise value, representing the sales value of product(s) in consumer orders before discounts are applied

"HACCP"	Hazard Analysis and Critical Control Points, a systematic approach to food safety that identifies, evaluates, and controls potential hazards throughout the food production process
"intact delivery rate"	the percentage of deliveries that are successfully completed without any damage to the items being delivered
"IP"	characters, songs, drama series or other artistic works and their underlying intellectual property rights (including elements for re-creation)
"ISO14001"	an international standard that specifies requirements for an effective environment management system
"ISO45001"	an international standard that specifies requirements for an effective occupational health and safety management system
"ISO50001"	an international standard that specifies requirements for an effective energy management system
"ISO9001", "ISO22000" and "FSSC22000"	international standards that specify requirements for quality management and food safety management
"LED"	light-emitting diode
"LMS"	Line Management System
"MES"	Manufacturing Execution System
"monthly active members"	for a given month, members that purchase our products for at least one time through our *Mixue* app or our Mini Programs on Weixin and Alipay
"new first-tier cities"	Chengdu, Xi'an, Wuhan, Suzhou, Zhengzhou, Chongqing, Hangzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Hefei, Kunming and Qingdao
"OMS"	Order Management System
"PE"	polyethylene

"products of syrups, milk, tea, coffee, fruit, grains and condiments"	seven categories of ingredients for freshly-made drinks, including products of syrups (e.g. sugar syrups, fruit flavored syrups), milk (e.g. ice cream powder, oat milk, coconut milk), tea (e.g. jasmine tea), coffee (e.g. roasted coffee beans), fruit (e.g. fresh fruit, frozen fruit products, fruit pulps), grains (e.g. mashed taro, red beans) and condiments (e.g. tapioca balls, nata coco)
"RTD drinks"	Ready-to-drink products, which are non-alcohol pre-packaged drinks sold in a prepared form
"R&D"	research and development
"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
"solid waste overall recovery rate"	the percentage calculated, as provided in Appendix A of GB/T 36132-2018, by dividing (i) the quantity of solid waste recovered for a given period by (ii) the sum of (a) the quantity of solid waste at the beginning of the period and (b) the quantity of solid waste generated during the respective period
"SRM"	Supplier Relationship Management System
"third-tier and below cities"	all the cities in China excluding first-tier cities, new first-tier cities and second-tier cities
"TMS"	Transportation Management System
"WMS"	Warehouse Management System

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including but not limited to statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "ought to", "project", "seek", "should", "will", "would", "vision", "aspire", "target", "schedule", and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the risk factors as described in this document, some of which are beyond our control and may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our franchisees and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate or plan to operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- our ability to maintain the market leading positions;
- the actions and developments of our competitors;
- our ability to effectively contain costs and optimize pricing;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel and recruit qualified staff;
- our business strategies and plans to achieve these strategies;
- the effectiveness of our quality control systems;

- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends; including those pertaining to the PRC and the industry and markets in which we operate; and

- capital market developments.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected, as well as from historical results. Specifically but without limitation, sales could decrease, costs could increase, capital costs could increase, capital investment could be delayed and anticipated improvements in performance might not be fully realized.

Subject to the requirements of applicable laws, rules and regulations, we do not have any or undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section as well as the risks and uncertainties discussed in the section headed "Risk Factors".

In this document, statements of or references to our intentions or those of our Directors were made as of the date of this document. Any such information may change in light of future developments.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business relies on consumer demand for our products, which is ever-evolving in nature and may shift upon changes in consumer preferences and perceptions, as well as consumers' discretionary spending power. Adverse changes in consumer demand for our products will harm our franchisees' and our business.

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

While we are dedicated to developing new products and improving existing ones, there is no assurance that we can consistently and promptly respond to changes in consumer preference and market development, or that our products can gain or retain consumer preference. Consumer demand for our products may fluctuate due to seasonal weather changes, varying dietary preferences, or release of new competing products. Besides changes in consumer preferences, our business also depends on consumers' discretionary spending power, which is influenced by many factors beyond our control, including but not limited to macroeconomic conditions. Any material or adverse changes in consumer demand for our products, whether driven by changes in consumer preference, consumer perceptions of and confidence in our products, or in their discretionary spending power or other factors may have a material and adverse effect on our results of operations, financial performance and business prospects.

Our future growth depends on our ability to continuously extend the footprint of our store network and successfully manage the operational performance of our expansive store network.

Our future growth depends on the ability to expand our store network, which requires substantial operational resources and our management's efforts, and may be affected by factors beyond our control. Our ability to attract new franchisees or attract existing franchisees to open new stores is crucial for our future success. It is also challenging to obtain favorable locations for new stores and qualified personnel for store operations. We have to strengthen our supply chain capabilities and business relationships in places where new stores are opened. If we are not successful in these efforts, or if consumer demand does not grow sufficiently or rapidly enough to support our expansion, our results of operations, financial performance and business prospects may be materially and adversely affected.

Moreover, delays in our store expansion may also affect our results of operations and financial conditions. The length of time taken to open new stores may be subject to a variety of factors, including but not limited to the required time for the franchisees to obtain requisite pre-opening approvals and licenses, and to complete trainings and pass exams. Any delay in new stores opening and/or closures of the existing stores will affect the number of stores, the operation days, as well as our results of operations. Additionally, some new stores may experience an initial ramp-up period during which they could experience unfavorable financial performance compared to other established stores, which could cause our results of operations and profitability to fluctuate.

In addition, an expansive store network and its continuous expansion require exceptionally strong management capability to ensure consistent quality and service of our stores, which entails the following major aspects:

- *Quality and service consistency.* As we rapidly expand, it may become more difficult to ensure the products and consumer experience across our store network are consistently of high quality.

- *Supply chain management.* The product quality and consumer satisfaction depend significantly on the quality of ingredients. As we rapidly expand, it may become increasingly difficult to manage the procurement, production and logistics across our store network.

Our expansion may place substantial demands on our management and our operational, technological, and other resources. There can be no assurance that our management skills, capabilities and systems will always be able to address our needs at different stages of our growth. Our business will be materially and adversely affected if we cannot successfully manage the operational performance of our expansive store network. See "— We primarily operate through a franchise model, under which substantially all of our stores are operated by franchisees. Our results of operations depend to a large extent on the performance of these franchised stores, as well as our ability to maintain existing franchisees and attract new franchisees". Last but not the least, as we continue to open new stores in existing markets, we cannot assure you that these new stores will not cannibalize our existing stores, in which case the growth in our store network may not result in the expected level of growth in our revenue and profit, and our business, financial conditions and results of operations may be materially and adversely affected.

The continued strength of our brands is critical to our success. If our brand value diminishes, our results of operations, financial performance and business prospects may be materially and adversely affected.

The recognition of our brands among consumers is critical to our business. If we cannot maintain, protect and enhance our brand recognition, our brand value and image could be undermined and our results of operations and business prospects could be materially and adversely affected.

Our ability to launch or improve products with consistently high quality that satisfy consumer needs, our branding efforts to enhance brand awareness, our ability to uphold and implement our food safety and quality control standards, and our relationships with franchisees, suppliers and other business partners are critical in maintaining and potentially enhancing our brand image. Our failure in any of the above efforts could lead to a decline in our brand value, which could materially and adversely affect our results of operations, financial performance and business prospects.

Our brand value may be affected by many other factors, some of which are out of our control. For example, any negative publicity with or without merits, relating to our products, IPs, operations, shareholders, management, employees, franchisees, suppliers and other business partners, the food and beverage industry or similar products of our competitors, could materially and adversely affect consumer perceptions of our brands and result in decreased demand for our products.

Our established brand recognition has attracted imitators who counterfeit and imitate us, including our trademarks, iconic IP, stores, drinks and other products, without our authorization. This may divert potential consumers from our products and stores. Any food safety issues or other negative incidents related to these counterfeit or imitative acts may result in adverse impact on our brand value. See also "— If we are not able to adequately protect our intellectual properties, or if we are not able to maintain the popularity of our IPs, such as our iconic IP, Snow King, our business will be materially and adversely affected".

We primarily operate through a franchise model, under which substantially all of our stores are operated by franchisees. Our results of operations depend to a large extent on the performance of these franchised stores, as well as our ability to maintain existing franchisees and attract new franchisees.

We primarily operate our store network through a franchise model. As of September 30, 2023, over 99.8% of stores in our network were established and operated by our franchisees. We are subject to several risks relating to our franchise business model, each of which may have a material and adverse impact on our reputation, results of operations and business prospects.

- *Management of franchisees.* While we are involved in the key aspects of each store's operation, our franchisees are ultimately responsible for the day-to-day store operations. If franchisees fail to perform their obligations under the franchise agreements or otherwise fail to comply with our requirements, policies or guidelines at all times, or fail to uphold our brand image and values, our brand image and reputation could be harmed, which in turn could hurt our results of operations and business prospects.

- *Our franchisees' ability to operate stores.* Our franchisees may not be able to remain aligned with our commercial, operational and promotional strategies and standards. For example, our franchisees may not be able to hire and effectively train and retain qualified managers and other store operating personnel, resolve financial difficulties or achieve the expected business performance, which may in turn negatively affect our operational and financial performance. There is no guarantee that our franchisees will share our corporate culture, and they may not follow our instructions to take actions that are beneficial only in the long term.

- *Revenue generated from franchised stores.* Since our revenue is mainly derived from the sales of goods and equipment to franchised stores, our financial performance is highly dependent on the business performance of franchised stores. If our franchised stores do not perform well, their financial results may deteriorate, which could result in, among other things, reduced purchase from us or store closures.

We may also fail to timely detect defaults or wrongdoings by franchisees and their employees, and may not be able to fully recover damages caused by such defaults and wrongdoings from the franchisees, which may have a material and adverse effect on our reputation, results of operations and financial performance.

Maintaining the relationships with our franchisees, incentivizing our franchisees to improve the performance of their stores and open new stores and attracting new franchisees to join our store network are critical to our business and results of operations. We may not always be able to successfully maintain our relationships with our franchisees due to many factors, some of which are beyond our control. For example, if our existing products or new products fail to attract consumers, our franchisees may experience sales declines. As a result, they may not be able to generate investment returns as expected, and thus may terminate or choose not to renew their agreements with us. In addition, we may not be able to attract a sufficient number of new franchisees to join our network and open stores, which could cause us to lose market shares and negatively affect our future business growth. The occurrence of any of the above could have a material and adverse effect on our results of operations, financial performance and business prospects.

Our franchised stores purchase store supplies and equipment from us. If we are not able to ensure the sufficient, stable and timely supply of such store supplies and equipment to support the franchised stores' operations, or if there is any disruption to our supply chain, our business will be materially and adversely affected.

Our franchised stores purchase store supplies and equipment from us. To provide these, we self-produce the core ingredients, certain packaging materials and store equipment, and procure other store supplies and equipment from selected suppliers. If we are unable to provide our franchised stores with sufficient, stable and timely supply of store supplies and equipment to meet consumers' demands and to support the stores' operation, our franchised stores' business performance may be materially and adversely affected. In particular, shortages of one or more of the necessary ingredients could force our franchised stores to suspend sales of related products, which could impact the franchised stores' business performance and consumer satisfaction.

Our ability to provide sufficient, stable and timely supply to our franchised stores depends on our procurement capabilities, production capacity and ability, logistics system, among other factors that may affect our supply chain. See "— We face risks in relation to production capacity. Our future success and growth potential are dependent on our ability to successfully implement our production capacity expansion plans and effectively manage our production capacity", "— If we are unable to manage and expand our logistics system efficiently and effectively, our results of operations and business prospects may be materially and adversely affected", "— Failures, interruptions and other issues of our suppliers and other business partners along our supply chain, or of our cooperation with them, may negatively impact our results of operations", "— Any interruption on our production or incidents related to our production could materially and adversely affect our business", "— Any disruption to operations of our logistics system could materially and adversely affect our business", "— Our reputation, results of operations and financial performance may be materially and adversely affected if the quality and food safety of our products are compromised" and "— Any failure in our R&D may harm our results of operations, financial performance and business prospects".

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

We strategically operate our production facilities to secure the stable, high-quality and value-for-money supplies to stores. Our production covers seven categories of ingredients for freshly-made drinks, including products of syrups, milk, tea, coffee, fruit, grains and condiments, with an overall annual production capacity of approximately 1.43 million tons as of September 30, 2023. We also self-produce certain essential packaging materials and store equipment. Our ability to maintain the daily operation of our stores and to meet the growing demands for our products may be constrained by limitations in our production facilities. Failure to ensure sufficient ingredient production may disrupt our daily operations and hinder our continuous expansion of the store network.

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

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

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

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

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

As of September 30, 2023, we have 26 self-operated warehouses in China totaling over 300,000 square meters, and we have 11 self-operated warehouses in Southeast Asia, totaling approximately 66,000 square meters. We also plan to continue the expansion of logistics facilities at additional locations in China and overseas. However, we cannot assure you that we will be able to acquire land use rights or leases and set up warehouses on commercially reasonable terms or at all. Moreover, we may not be able to recruit a sufficient number of qualified employees in connection with this expansion. In addition, the development of our logistics system is costly and may strain our managerial, financial, operational and other resources. If we fail to manage such expansion successfully, our results of operations, financial performance and business prospects may be materially and adversely affected.

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

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

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

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

For example, our iconic IP, Snow King, is critical to our business operations. We have a portfolio of trademarks, copyrights and other intellectual properties around Snow King, such as his image, anime series, and our *Mixue* theme song. See "Business — Our Brands and Products — Our Iconic IP – Snow King" for detailed information. These intellectual properties have significantly contributed to and are crucial to our brand awareness and business growth. The popularity and success of these intellectual properties depend on the consumers' interests, which evolve extremely quickly and can change dramatically from time to time.

To maintain the vibrancy of Snow King and continuously organize successful marketing events surrounding him, we need to anticipate consumers' preferences and familiarize the trendy communication channels. However, we cannot assure you that consumers will always be interested in and embrace Snow King and the events we organize. Our success is also dependent on our ability to adequately protect our iconic IP, Snow King, which may be harmed by many factors, such as:

- unfavorable publicity or negative news regarding us or the creative content around Snow King, including the fan-made videos and other content;
- unauthorized use of the intellectual properties around Snow King by third parties;
- falsified or unauthorized replica items that closely resemble Snow King; and
- deterioration of business relationships between us and online platforms on which we operate the Snow King IP, as well as the service providers who help us create the contents related to Snow King.

Our reputation, results of operations and financial performance may be materially and adversely affected if the quality and food safety of our products are compromised.

As we operate in the freshly-made drinks industry, quality control and food safety are of critical importance. Maintaining consistent quality and food safety standards, to a large extent, depends on our quality control system effectiveness and compliance with our quality assurance policies and guidelines by employees, franchisees and other third parties involved in our supply chain and store operations. Reports of food safety and quality incidents (both real or alleged) such as beverage- or food-borne illnesses, adulteration, contamination or mislabeling in every aspect of our business and store operations, may severely injure our reputation, hurt our sales, and possibly lead to product liability claims, litigations, fines, penalties, and/or temporary store closures. For example, there have been, and may continue to be, negative incidents and publicity regarding food safety issues in our franchised stores. Due to these incidents, we have become subject to public scrutiny, mainly relating to the safety and quality of our products. From time to time, criticisms, complaints and negative media coverage, regardless of their veracity, may result in negative publicity, which could result in government inquiry or harm to our reputation and brand, and may materially and adversely affect our business. We may not be able to react to the reports, criticism, complaints, or other negative publicity related to food safety and hygiene in a timely manner, and our response or actions taken in response may not be effective. In addition, instances of food or beverage safety issues, even those that do not involve our stores or products at all, could cast a shadow on the freshly-made drinks industry in general, which in turn could materially and adversely affect us. Any of these events may cause material and adverse damage to our reputation, results of operations, financial performance and business prospects.

Failure to compete effectively may materially and adversely affect our market share and profitability.

The freshly-made drinks industry in China is highly competitive. In the nine months ended September 30, 2023, the top five freshly-made drinks companies in terms of GMV in China collectively accounted for approximately 33.3% of market share, according to CIC. In addition, our international business is subject to fierce competition from competitors in the countries or regions where we operate. We face increasingly intense competition with other players as well as potential new entrants in areas such as product innovation, price, quality, consumer experience as well as consumer acquisition and retention, which may have a material and adverse impact on our results of operations, financial performance and business prospects. In response to such fierce competition, we may face pricing pressure and may incur a significant amount of additional costs without success, which may materially and adversely affect our results of operations and financial performance.

Our operating history may not be indicative of our results of operations, financial performance or business prospects in the future.

We are China's largest, and the world's second largest freshly-made drinks company, in terms of both number of stores as of September 30, 2023, and number of cups sold during the nine months ended September 30, 2023, according to CIC. Our total revenue increased by 31.2% from RMB10,351.0 million in 2021 to RMB13,575.6 million in 2022, and further increased by 46.0% from RMB10,543.2 million in the nine months ended September 30, 2022 to RMB15,393.3 million in the same period of 2023. The number of our stores increased from 20,001 as of December 31, 2021 to 36,153 as of September 30, 2023. Our gross profit margin in 2021, 2022 and the nine months ended September 30, 2023 were 31.3%, 28.3% and 29.7%, respectively. We had net cash flows generated from operating activities of RMB1,692.4 million, RMB2,430.6 million and RMB3,091.7 million in 2021, 2022 and the nine months ended September 30, 2023.

However, our operating history may not serve as an adequate indicator for our future performance. We may not be able to maintain our growth, profitability, cash flows, or our historical performance in other terms. For example, we cannot assure you that we can manage any future growth effectively or efficiently, cannot guarantee that our store network will continue to grow at the historically high rate in the future, and cannot guarantee that we can successfully capitalize on new business opportunities. In addition, our business and results of operations are influenced by various general factors that affect overall consumer demands and market conditions for freshly-made drinks. These factors include but not limited to macroeconomic trends, industry dynamics, and competitive landscape. In addition, our business and results of operations are more directly affected by factors such as consumer demand for freshly-made drinks, store network expansion and management, and our supply chain capabilities. Any negative change in these conditions may adversely impact our results of operations. If our business performance deteriorate, [**REDACTED**] perceptions of our business prospects may be materially and adversely affected and the market price of our H Shares could decline.

We face the risk of price fluctuations in some of our raw materials, which could materially and adversely affect our results of operations and financial performance.

Certain raw materials used in our products are subject to price volatility caused by external conditions, such as market supply and demand, changes in governmental policies and natural disasters. Our business performance has been adversely affected by price fluctuations in some of our raw materials. If raw material prices increase significantly for any reason, we may incur additional costs to secure sufficient supply of raw materials, or resort to alternative supply channels for such raw materials. However, we may not be able to find any alternative supply channels, and we may not be able to successfully pass on such price increases to franchisees or consumers without adverse impact on our business. If any of the foregoing occurs, our results of operations and financial performance could be materially and adversely affected.

Failures, interruptions and other issues of our suppliers and other business partners along our supply chain, or of our cooperation with them, may negatively impact our results of operations.

Our suppliers may experience significant interruptions in their operations, fail to accommodate our fast-growing business scale, terminate, suspend, alter or breach the supply arrangements. Furthermore, we may not be able to incentivize our suppliers to prioritize our orders before their other clients. All of the above could lead to delay or shortage of supplies at our production facilities or stores. We cannot assure you that in any of the foregoing events we would be able to find alternative suppliers on commercially reasonable terms, on a timely basis, or at all.

We also rely on other business partners in supplying and delivering the raw materials, store supplies and equipment. For example, interruptions or failures of the third-party logistics service providers due to unforeseen events, such as inclement weather, natural disasters or transportation disruptions, could prevent the timely or successful delivery of raw materials, store supplies and equipment. If our raw materials are not delivered to our facilities or the supplies and equipment are not delivered to our stores on time and under proper condition, there may be a shortage of our products, in which case our reputation and business prospects may be adversely affected.

For risks relating to our cooperation with other third parties, see "— We are subject to risks in relation to the cooperation with third-party partners".

Any interruption on our production or incidents related to our production could materially and adversely affect our business.

Our production bases may experience business interruptions due to, among others, operational incidents, force majeure events, mechanical failures, or utility shortages and suspensions such as water, electricity, gas or other utilities, which could disrupt our production plans and lead to temporary shutdown or reduced capacity. Any failure to take adequate steps to resolve or eliminate these unexpected issues could extend the downtime, interrupt the operation of our production facilities, reduce our production capacity and result in a loss of sales.

In addition, we may experience incidents related to our production. For example, our employees may be exposed to production safety risks. Although we have implemented relevant policies and undertaken preventive measures for production safety, we cannot assure you that no production safety incident will occur during our production process. If such incidents occur, we and our management may be liable for production safety claims and penalties, and we may experience interruptions in our production. As a result, our results of operations may be materially and adversely affected.

Any disruption to operations of our logistics system could materially and adversely affect our business.

In the event of unexpected and prolonged disruption in our logistics system, such as utility shortages, fire incidents, extreme weathers or natural disasters, our operations may be materially and adversely affected. For example, we may not be able to promptly restore the affected logistics facilities, or promptly relocate to another suitable location with well-equipped facilities, which could lead to destruction of inventories and substantial expenses for restoration or relocation of such logistics facilities. Furthermore, we may be found in violation of applicable laws and regulations on warehouse safety, resulting in relevant administrative penalties or other legal proceedings, or even liabilities for damages to third parties.

To ensure the optimized quality and condition of our products, we have set stringent quality control requirements for our logistics system. If we fail to properly control the storage and delivery of our products, observe proper hygiene, ensure cleanliness, or meet other quality control requirement or standards in operations, our inventories may be spoiled and destroyed, and we may incur significant losses. Our results of operations and financial performance may be materially and adversely affected as a result.

Any failure in our R&D may harm our results of operations, financial performance and business prospects.

Our R&D is critical for our business success, enabling us to continuously provide high-quality value-for-money freshly-made drinks to consumers. Any failure to maintain our R&D capabilities, any failure in our application R&D to make upgrades and innovations in our product taste and recipes, any failure in our fundamental R&D to improve our ingredient-related technologies, production techniques, recipes and equipment, or any other failure in our R&D, may harm our business and competitive edge. To support our R&D efforts, we need to devote significant resources in recruiting R&D professionals, in selecting suitable suppliers of raw materials, and in other aspects. Our investment in upgrades and innovations related to our products or ingredients may not generate the desired outcome, such as popular products or proprietary technologies that empower our production, in a cost-effective manner or at all. Any failure in our R&D may harm our results of operations, financial performance and business prospects.

Failure of inventory management may have a material and adverse effect on our business.

We had inventories of RMB1,251.9 million, RMB1,541.2 million and RMB2,374.9 million as of December 31, 2021 and 2022 and September 30, 2023, and our inventories turnover days were 42.7 days, 52.4 days and 48.9 days in 2021, 2022 and the nine months ended September 30, 2023, respectively. The increase in our inventories turnover days from 2021 to 2022 was primarily due to slower sell-through of inventories during the COVID-19 pandemic in 2022. Our inventories primarily consist of (i) finished goods, mainly representing ingredients for the in-store preparation of our freshly-made drinks, as well as packaging materials, (ii) raw materials, such as food commodities, agricultural products and other auxiliary materials, and (iii) work in progress, mainly representing ingredients in process. We depend on our demand forecasts to make procurement and production planning and to manage our inventories. Such demand, however, can change significantly between the time inventories are ordered or manufactured and the date by which we plan to sell them. Demand may be affected by seasonality, new product launches, pricing and discounts, changes in consumer spending patterns, changes in consumer tastes and other factors. In addition, as we develop and market a new product, we may not be successful in establishing stable and favorable supplier relationships or accurately forecasting demand. The acquisition of certain types of inventories may require significant lead time and prepayment and they may not be returnable. If we fail to manage our inventories effectively, we may be subject to excessive warehousing costs, heightened risks of inventory obsolescence, decline in inventory value, and significant inventory write-offs. Any of the above may materially and adversely affect our results of operations and financial performance.

On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply quality materials and ingredients in a timely manner, we may experience inventory shortages, which might result in lost revenue, any of which could harm our results of operations, financial performance and liquidity.

If our existing or potential franchisees are not able to obtain desirable store locations or secure renewal of existing leases on commercially reasonable terms or at all, our store expansion and operation may be materially and adversely affected.

The sites on which our existing or potential franchisees establish stores have a significant impact on the operation results of such stores, the overall layout and the expansion plan of our store network. Our stores compete with other retail businesses for suitable locations, and some property owners and developers may offer priority or grant exclusivity for desirable locations to our competitors. We cannot assure you that our franchisees can enter into new lease agreements for desirable locations or renew existing lease agreements on commercially reasonable terms, which could force our franchisees to close or relocate to less favorable locations, or cease operations altogether, and our results of operations, financial performance and business prospects may be materially and adversely affected.

We are subject to risks related to our overseas expansion.

We have expanded our presence beyond China. We have a limited operating history beyond China and therefore lower brand awareness and operating experience overseas. Our overseas operation is also subject to different competitive landscapes, regulatory environments, customs, consumer tastes, and discretionary spending patterns compared to China. As a result, overseas stores may take longer to ramp up sales and achieve satisfactory performance, if at all, which could affect overall growth and profitability. Building brand awareness in overseas markets may require greater investments in advertising and promotional activities than initially planned or than required in China. This increased investment could negatively impact our profitability in overseas markets.

Our overseas operations are also subject to additional inherent risks of conducting business abroad, such as:

- difficulty in finding qualified franchisees, suppliers and other business partners and maintaining relationships with these business partners for overseas operations;
- inability to anticipate foreign consumers' preferences and tastes;
- changes or uncertainties in economic, legal, regulatory, social, political and geopolitical conditions in these international markets, or international relations;
- interpretation and application of laws and regulations, including licensing, approvals, permits, tax, tariffs, labor, merchandise and privacy laws and regulations, as well costs and other burdens of complying with a wide variety of local laws and regulations;

- restrictive actions of governmental authorities affecting trade and foreign investment, including relevant measures such as export and customs duties and tariffs, government policies that affect dynamics of market competition and restrictions on the level of foreign ownership;

- the enforceability of intellectual property and contract rights under different legal systems;

- limitations on the repatriation of funds and foreign currency exchange restrictions due to current or new local regulations;

- challenges in recruiting and retaining high-quality employees in overseas markets;

- challenges in securing desirable locations for opening stores;

- difficulties in setting up and developing warehouse system and delivery network overseas;

- difficulties to effectively manage the supply chain, including but not limited to procurement, production, logistics, R&D and quality control, to meet the needs of new and existing stores on a timely basis;

- difficulties in developing and managing foreign operations, including ensuring the consistency of product quality and services, due to governmental regulations and actions, distance, language and cultural differences.

Any of the above factors could materially and adversely affect our ability to expand our store network and, in turn, negatively impact our results of operations and financial performance.

We may incur substantial expenses in connection with our branding and marketing activities.

To promote our brand recognition and increase our brand value, we invested in our brands with comprehensive branding and marketing activities during the Track Record Period. In 2021, 2022 and the nine months ended September 30, 2023, the branding and promotion expenses amounted to RMB53.2 million, RMB69.9 million and RMB182.2 million, respectively. We expect to explore marketing approaches to keep pace with industry developments and consumer preferences, and expect to further incur investment in branding and marketing activities going forward. In addition, some of these marketing or promotional approaches may not be as effective as we expect. For example, our crossover collaborations with third-party partners may fail or not achieve expected results. If any of the foregoing risks becomes materialized, our results of operations, financial performance and business prospects may be materially and adversely affected.

We may not be successful in expanding our membership base and our ability to leverage our membership programs may be limited.

We have established membership programs, in which we grant a variety of rewards to our members. We have limited experience in operating such membership programs, and we cannot predict with certainty the rate or extent to which our consumers will join such membership programs. There is no assurance that the membership programs will be effective in retaining existing consumers or increasing their purchase, or that the membership programs will not adversely affect the purchases by consumers who do not become members. Moreover, there is no assurance that we will be able to leverage the membership programs to deepen our insights on our target consumers. As a result, our business may be materially and adversely affected.

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

We seek and will continue to explore opportunities to grow our business, such as building new brands, developing new products and store formats, or exploring new business initiatives. However, our exploration of new business opportunities may not be successful due to various reasons such as lack of market acceptance, inefficiency in operations and unsuccessful branding strategies. Additionally, to complement our business and strengthen our market-leading position, we may form strategic cooperations or make strategic investments and acquisitions from time to time. We may experience difficulties in integrating our operations with the newly invested or acquired businesses, implementing our strategies or achieving expected levels of revenue, profitability, productivity or other benefits. As a result, we cannot assure you that our initiatives in exploring new business opportunities, entering into new markets, investments or acquisitions will benefit our business operations, generate sufficient revenue to offset the associated costs, or otherwise result in the intended benefits.

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

We experience seasonal fluctuations during our ordinary course of business and the operation of our stores. For example, during the Track Record Period, we typically had higher sales of cold drinks in summer each year due to hot weather and the increased demands for drinking and cooling. Going forward, we expect our financial conditions and results of operations within a year may continue to fluctuate and our historical quarterly results may not be comparable to future quarters.

Illegal actions, misconducts or other negative incidents of our employees, franchisees and their employees, suppliers, services providers, business partners, and other third parties and/or stakeholders, or perception that these may have occurred could materially and adversely affect our reputation, results of operations, financial performance and business prospects.

We may be exposed to fraud, bribery or other crimes, illegal actions or misconducts that fail to comply with relevant laws, regulations and our internal rules and standards committed by our employees, franchisees and their employees, suppliers, service providers, business partners, and other third parties and/or stakeholders. Such acts could subject us to financial losses, government investigations and sanctions, and other legal liabilities and proceedings. We may be unable to prevent, detect or deter all such instances of misconduct committed by these third parties and/or stakeholders. Any such misconduct committed against our interests, such as bribery or other misconduct that compromise our stringent standards for admitting franchisees, may have a material and adverse effect on our results of operations and business prospects.

For example, if our franchisees engage in any unlawful activities, fail to obtain the requisite licenses and approvals from governmental authorities, fail to comply with our quality standards and provide satisfactory products, resulting in administrative penalties and negative publicities or are involved in any claims, allegations, lawsuits, litigations or other legal proceedings, with or without merits, no matter whether we are a party or not, we might also be subject to reputational risks. We also cannot guarantee that our franchisees will fully comply with relevant provisions in our agreements with them regarding various operational standards. If any of our franchisees engage in any type of illegal actions or misconduct, our reputation, results of operations, financial performance and business prospects could be materially and adversely affected.

In addition, the failure of our suppliers to ensure product quality or to comply with food safety or other laws and regulations could interrupt our operations and result in claims against us, and any delay in delivery of our products, damage to our products during the course of delivery and inappropriate actions taken by delivery riders of our delivery service providers might cause consumer complaints. If any of our business partners fails to comply with relevant laws and regulations and our protocols, or engages in fraud, bribery or other illegal actions or misconducts, our results of operations may be materially and adversely affected.

In the event that we become subject to claims caused by actions taken by our employees, franchisees and their employees, suppliers, service providers, business partners, and other third parties and/or stakeholders, we may seek compensation from or take other actions against the relevant third parties and/or stakeholders. However, such compensation may be limited. We may be required to bear the uncompensated portion of such losses and at our own costs, which could have a material and adverse effect on our results of operations, financial performance and business prospects.

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

We primarily operate our business in China and shall comply with the applicable laws and regulations of food safety. Such regulations set out, among others, the safety standards for food and food additives, packaging and containers, the information required to be disclosed on the packaging, and the regulations on food operating and siting and sale of food. In recent years, the governmental authorities have been enhancing their supervision on food safety and enacting new laws and regulations. See "Regulatory Overview" for detailed discussions of the relevant laws and regulations applicable to us. Failure to comply with the laws and regulations of food safety in China may result in corrective actions ordered by regulatory authorities, fines, confiscation of the proceeds, suspension of business operations as ordered, revocation of operation permits, and in extreme cases, criminal liability. If laws and regulations in China on food safety further evolve, our compliance cost may increase, and we may not be able to successfully pass the additional costs on externally, which will have a material and adverse impact on our financial performance and business prospects.

We also operate in various countries and regions overseas where the food safety regulations and related policies may be different from those in China and also subject to risks of significant changes, which could also expose us to significant risks of increased compliance costs and violations of foreign laws and regulations. See also "— We are subject to risks related to our overseas expansion".

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

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

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

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

In addition, we also operate in various countries and regions overseas where local licensing laws and regulations may require us to incur significant spending to ensure compliance in all countries and regions where we operate. See also "— We are subject to risks related to our overseas expansion".

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

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

- We and our franchisees may not be able to renew existing lease agreements at reasonable commercial terms, especially for stores in locations with a high volume of consumer traffic.

- We and our franchisees may also be exposed to risks of unexpected early lease termination at the request of the lessors or other reasons out of our control, which may result in store closures if we and our franchisees are not able to identify suitable alternative premises on acceptable terms to relocate in a timely manner.

- Our or our franchisees' profitability may be materially and adversely affected by any substantial increase or fluctuation in the local rental prices of regions or countries where we operate.

- As of the Latest Practicable Date, for 39 leased properties mainly used for warehousing, office spaces and self-operated stores with an aggregate floor area of approximately 24,109 square meters, accounting for less than 8% of the total gross floor area of our leased properties in the PRC, the lessors with whom we enter into lease agreements did not provide the valid property ownership certificates or authorizations from the property owners for the lessors to sublease the properties, hence we cannot ensure that they have the rights or authorizations to lease or sublease such properties to us.

- As of the Latest Practicable Date, for two leased properties used as our office and self-operated stores with an aggregate floor area of approximately 382 square meters, accounting for approximately 0.1% of the total gross floor area of our leased properties in the PRC, are used in a manner not consistent with the respective planned property usage contained in the respective property ownership certificates. The relevant lease agreements might be deemed invalid and unenforceable.

- As of the Latest Practicable Date, 107 lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register and file the leases with the local government authorities. As advised by our PRC Legal Advisor, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed.

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

We may be required to pay the outstanding amount of contributions of social insurance and housing provident funds and are subject to late payment fees and fines imposed by relevant governmental authorities.

Pursuant to relevant PRC laws and regulations, employers are obligated to directly and duly contribute to the social insurance and housing provident funds for their employees. During the Track Record Period, we had not made social insurance and housing provident funds for some of our employees in full in accordance with the relevant PRC laws and regulations. According to the applicable laws and regulations, the competent government authorities may demand us to take rectification measures. If we fail to take the measures as demanded, we may be subject to fines. In addition, we engaged a third-party human resource agency to pay social insurance and housing provident funds for a small number of our employees during the Track Record Period, which has been rectified in all material respects.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), for the shortfall of social insurance, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount, and (ii) to pay a fine of one to three times of the overdue amount if such payment is not made within the stipulated period. Under the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), for the shortfall of housing provident funds, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period, and (ii) an application may be made to the courts for compulsory enforcement if the payment is not made within such time limit. Furthermore, we might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant authorities if the third-party human resource agency failed to pay the social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner, or if the validity of such arrangements are challenged by relevant authorities. We might also be subject to potential labor disputes arising from such arrangements with the relevant employees.

We cannot assure you that the relevant governmental authorities will not require us to pay the outstanding amount and impose late fees or fines, pecuniary penalties or other administrative actions on us. If we are otherwise subject to investigations related to such incidents related to labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our results of operations, financial performance and business prospects may be materially and adversely affected. For details of these incidents, see "Business — Compliance and Legal Proceedings".

We are subject to risks in relation to the cooperation with third-party partners.

We cooperate with various third-party partners to promote our daily business and store operations. For example, we cooperate with third-party online platforms, including but not limited to social platforms, to reach, acquire and interact with consumers, and engage in innovative online marketing and branding campaigns. Our stores also leverage third-party delivery platforms to fulfill a portion of online orders. Additionally, we cooperate with third-party payment channels, such as Weixin Pay and Alipay, to facilitate consumers' payment at our stores. We also collaborate with IP licensors for various purposes, such as marketing campaigns. From time to time, we also enter into certain collaborations, such as incorporating joint ventures, with third-party business partners.

However, there are certain risks in relation to the forgoing cooperations with third-party partners, including but not limited to the following:

- the business operations of the third-party partners may deteriorate and may be interrupted or terminated, or they may suspend providing services to us;
- we may not be able to maintain business relationships with existing third-party partners in a satisfactory manner or at all;
- there may be adverse changes in key contractual terms with third-party partners, such as increased fee rate, which may become no longer acceptable or commercially reasonable;
- it may be difficult for us to identify and establish business relationship with alternative third-party partners, in a timely manner or at all, if we cannot maintain our cooperative relationships with the existing ones; and
- negative incidents or publicity of our third-party partners may in turn have negative impact on our business operations and reputation.

In any such event, our cooperative relationships with third-party partners may be disrupted or discontinued which could have a material and adverse impact on our results of operations and business prospects.

Our success depends on the continuing and collaborative efforts of our senior management team and experienced and capable personnel. If we fail to hire, train, retain or motivate our staff or to optimize our organizational structure, our business may be materially and adversely affected.

Our future success is significantly dependent upon the continued service of our senior management team as well as experienced and capable personnel. If we lose the services of any member of the senior management team, we may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff, which could severely disrupt our business and growth. If any of our senior management team joins a competitor or forms a competing business, we may lose business opportunities, know-how and key professionals and staff members.

Our rapid growth also requires us to hire, train, retain and motivate a wide range of talents who can adapt to a dynamic, competitive and challenging business environment. We may need to offer attractive compensation and other benefits packages, including share-based compensation, to attract and retain them. To cater to our evolving strategies and changing business environment, we may constantly optimize our organizational structure. These adjustments may cause additional costs and expenses and temporary disruptions to our operations, and we cannot guarantee that they will always lead to our desirable results. Occurrence of any of the foregoing could severely disrupt our business and growth, negatively affect our reputation, or cause other adverse consequences.

Our results of operations and financial performance may be materially and adversely affected by political events, war, terrorism, public health issues, adverse weather conditions, natural disasters and other catastrophes.

Our results of operations and financial performance may be materially and adversely affected by political events, war, terrorism, public health issues, adverse weather conditions, natural disasters and other catastrophes, particularly in locations where we operate a large number of stores. If any of such event occurs, our ability to operate our business may be restricted. As a result, we may have to incur substantial additional expenses and our results of operations and financial performance may be materially and adversely affected. For instance, the COVID-19 pandemic had profound impacts on the global economies, affecting the industry within which we operate. During the pandemic, the normal operations of stores within our network were disrupted due to reduced consumer traffic or temporary store closures. See "Financial Information — Impacts of COVID-19" for details.

We, our Directors, management, employees, business partners, franchisees and their employees may be involved in litigations, regulatory investigations and proceedings, claims or allegations such as those related to food safety, commercial disputes, labor and employment matters or securities issues, and we may not always be successful in our defense against such claims or proceedings.

We face potential liability, expenses for legal claims and harm due to our business nature. For example, consumers could assert legal claims against us in connection with personal injuries related to food safety issues. The government authorities, media outlets and public advocacy groups have been increasingly focused on consumer protection in recent years. Sales of defective food and beverages may expose us to liabilities associated with consumer protection laws. We may also be held liable if our franchisees, suppliers or other business partners fail to comply with applicable food-safety related rules and regulations, regardless of whether the food safety incident is caused by us. Though we can ask the responsible parties for indemnity after that, our reputation could still be materially and adversely affected. In addition, we, our Directors, management, employees, business partners, franchisees and their employees may from time to time be subject to litigation and regulatory investigations and proceedings or otherwise face potential liability and expense for various matters, such as food safety, commercial, labor, employment, antitrust or securities matters, which could materially and adversely affect our reputation and results of operations.

We may become subject to claims, allegations or disputes brought by our competitors, customers, business partners or other individuals or entities. It is also possible for us to have disputes with dissenting shareholders. Any such claims, allegations or disputes, with or without merit, or any perceived unfair, unethical, fraudulent or inappropriate business practice by us or perceived malfeasance by our management could significantly harm our reputation, affect the trading price of our Shares and substantially distract our management from our daily operations. In addition to the costs related to defending such claims, allegations or disputes, managing these incidents can significantly divert management's attention.

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

Changes in the labor market, rising labor costs or any potential labor issues may have a material and adverse impact on our results of operations, financial information and business prospects.

Failure to retain a stable and dedicated workforce may disrupt our business operations. Although we have not experienced any labor shortage to date, the labor market may become increasingly competitive, making it challenging for us to recruit and retain a stable and sufficient workforce. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salary, social benefits and employee headcount. Our employee benefit expenses were RMB536.7 million, RMB820.0 million and RMB858.3 million in 2021, 2022 and the nine months ended September 30, 2023, respectively. We compete with other companies for labor, and we may not be able to offer competitive remuneration and benefits compared to them. If any of the foregoing or any other labor issue occurs, our results of operations, financial information and business prospects may be materially and adversely affected.

We are subject to various risks relating to third-party payment arrangements.

During the Track Record Period, some of our franchisees (individually or collectively, the "Relevant Franchisee(s)") settled their payments with our Group through accounts of third-party payors designated by these Relevant Franchisees, primarily their employees, spouses and other family members, friends, and business partners, at their requests (the "Third-Party Payment Arrangement(s)"). As confirmed by CIC, it is not uncommon for franchisees to use third-party payors to settle corporate transactions with their suppliers due to convenience and flexibility. In 2021, 2022 and the nine months ended September 30, 2023, a total number of 5,595, 3,258, and 172 Relevant Franchisees in China utilized the Third-Party Payment Arrangements to settle payments with us, respectively. During the same periods, the aggregate amount of payments from their designated third-party payors was RMB451.0 million, RMB703.5 million, and RMB59.3 million, respectively, representing approximately 4.4%, 5.2% and 0.4% of our total revenue. To the best of our knowledge, certain overseas franchisees also utilized the Third-Party Payment Arrangements to settle payments with us during the Track Record Period. For additional information, see "Business — Our Customers — Third-Party Payment Arrangements". As of November 29, 2023, our Group had ceased all the Third-Party Payment Arrangements.

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

Fair value changes for our financial assets at fair value through profit or loss may materially and adversely affect our results of operations and financial performance.

As of December 31, 2021, 2022 and September 30, 2023, we recorded financial assets at fair value through profit or loss of RMB900.2 million, RMB1,865.7 million and RMB2,574.8 million, respectively. Historically, our financial assets at fair value through profit or loss primarily represent low-risk wealth management products that we purchased from commercial banks in China. The wealth management products issued by banks are subject to the overall market conditions. Any volatility in the market or fluctuations in the interest rates may affect the fair value of our financial assets at fair value through profit or loss. We may also record other financial assets of which the fair value is determined with higher level of judgment and/or more susceptible to market conditions. Changes in fair value are recognized in profit or loss and such treatment of gain or loss may cause volatility in or materially and adversely affect our period-to-period earnings, results of operations and financial performance.

Significant impairment of our property, plant and equipment could materially and adversely impact our results of our operations and financial performance.

We have recorded a significant amount of property, plant and equipment. As of December 31, 2021, 2022 and September 30, 2023, the carrying amount of our property, plant and equipment amounted to RMB1,033.5 million, RMB1,701.1 million and RMB3,013.9 million, respectively. We estimate the recoverable amount for our property, plant and equipment, which is the higher of the value in use and the fair value less costs of disposal, when an indication of impairment exists, or when annual impairment testing is required. We recorded impairment of property, plant and equipment in the amount of RMB14.8 million, nil and RMB60.0 million, respectively, in 2021, 2022 and the nine months ended September 30, 2023. The impairment evaluation of property, plant and equipment requires significant management judgment. If our estimates and judgments are inaccurate, the recoverable amount determined could be inaccurate and the impairment may not be adequate, and we may need to record additional impairments in the future. Any significant impairment losses charged against our property, plant and equipment could have a material and adverse effect on our results of operations and financial performance.

Change or uncertainties in tax treatments or government grants may adversely affect our results of operations and financial performance.

Our certain subsidiaries that are engaged in the "Encouraged Industries in the Western Region" are eligible for the preferential EIT rate of 15%. Our certain subsidiaries that are domiciled and operate in Hainan Free Trade Port which meet the criteria of "more than 60% of the revenue generated from core business" are eligible for the preferential EIT rate of 15%. Our certain subsidiaries are engaged in agriculture and entitled to the tax exemption on agricultural products. Additionally, we recorded government grants of RMB79.4 million, RMB46.9 million and RMB68.0 million in 2021, 2022 and the nine months ended September 30, 2023, respectively. Continued eligibility for preferential tax treatment and government grants is subject to recognition and evaluation by the relevant government authorities in China.

We cannot assure you that we will continue to receive such preferential tax treatment and government grants at historical levels, or at all. We are also subject to risks of uncertainties in tax treatment, such as development in tax laws and regulations or practices of local tax authorities in the countries, regions or municipalities where we have operations. Such changes or uncertainties in tax treatment or government grants may adversely affect our results of operations and financial performance.

We are subject to credit risks of some of our customers.

We normally require advance payment from our customers but may grant credit terms under limited circumstances. As of December 31, 2021 and 2022 and September 30, 2023, we had trade receivables of RMB2.0 million, RMB15.4 million and RMB28.9 million, respectively. Adverse changes in their financial conditions may be challenging for us to detect and monitor, and may negatively affect the length of time to collect associated trade receivables or the likelihood of ultimate collection, which would in turn have a material and adverse effect on our results of operations, financial performance and business prospects.

We require a substantial amount of capital to support our operations and respond to business opportunities. Any failure to obtain adequate capital on acceptable terms could have a material and adverse impact on our financial performance and business prospects.

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

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

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

We may infringe upon, misappropriate or otherwise violate the intellectual property rights of third parties.

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 could also be existing intellectual property of which we are not aware that our products may inadvertently infringe. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially and adversely disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our results of operations, financial performance and business prospects could be materially and adversely affected.

Our reliance on information technology systems may expose us to new challenges and risks and may materially and adversely affect our results of operations, financial performance and business prospects.

We rely on information technology systems to process, transmit and store information in relation to our operations. The smooth and efficient operation of our comprehensive supply chain and expansive store network depends on our information technology systems. Our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including but not limited to, natural disasters, telecommunications failures, computer viruses, attacks by hackers and other security issues. Any such interruption to our information technology system could disrupt our operations and negatively impact our production and ability to fulfill sales orders, which could have a material and adverse effect on our results of operations, financial performance and business prospects.

In addition, we may from time to time implement, modify and upgrade our information technology systems and procedures to support our business development. These modifications and upgrades could require substantial investment and may not improve our profitability at a level that outweighs their costs, or at all.

Regulatory requirements regarding data protection and information security are constantly evolving, the changes of which or any data protection and information security incidents may have a material and adverse effect on our business and results of operations.

In the ordinary course of business, we from time to time collect, store and use certain personal information of our employees, franchisees and their employees, consumers and other individuals, such as (i) when consumers place online orders through our online applications, such as our *Mixue* app and our Mini Programs on Weixin and Alipay, we may collect their account names, phone numbers, transaction information and other information, (ii) during the franchisee onboarding process, we collect franchisees' basic information, such as their names, ID numbers, phone numbers, e-mail address and bank account information. Therefore, we are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data. See "Regulatory Overview — Regulations on Personal Information and Data Protection". Any improper handling of personal information or any other information security incidents, such as unauthorized access to our consumer database by hackers, could result in reputation damage and/or civil or regulatory liabilities that may have significant legal, financial and operational consequences.

Regulatory requirements regarding the data security and data protection are constantly evolving, of which the interpretation and application are also evolving and subject to change that may affect us. If we are unable to 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, results of operations and business prospects and/or could lead to civil or regulatory liabilities. Complying with new laws and regulations could also cause us to incur substantial costs or require us to change our business practices in a manner materially adverse to our business.

On December 28, 2021, the Cyberspace Administration of China ("CAC") and other regulatory authorities jointly revised and promulgated the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on February 15, 2022. The Cybersecurity Review Measures stipulate that (i) critical information infrastructure operators ("CIIO") purchasing network products and services and internet platform operators carrying out data processing activities, which affects or may affect national security, are subject to the regulatory scope; (ii) the internet platform operators holding personal information of more than one million users seeking a listing in a foreign country must file for the cybersecurity review and (iii) where members of the cybersecurity review working mechanism believe that network products and services and data processing activities affect or are likely to affect national security, the Cybersecurity Review Office shall report to the Central Cyberspace Affairs Commission for approval as per procedure, and then conduct a review in accordance with the Cybersecurity Review Measures. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a CIIO or being involved in any investigations on cybersecurity review made by cybersecurity authorities.

On November 14, 2021, the CAC published 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)》) (the "Draft Regulations on Cyber Data Security"), 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 Regulations on Cyber Data Security are applicable to us, if those were to be implemented in their current form. As of the Latest Practicable Date, we had not been subject to any material administrative penalties 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. Additionally, we have a comprehensive set of internal policies, procedures and measures regarding user privacy and data security. Based on the aforementioned factors, we and our PRC Legal Advisor believe that (i) as of the Latest Practicable Date, we were in compliance with existing applicable laws and regulations relating to data security, privacy and personal information protection in all material aspects and (ii) the cybersecurity-related regulations will not have any material and adverse effect on our business operations or the proposed [**REDACTED**]. If the Draft Regulations on Cyber Data Security 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 material impediment for us to be in compliance.

Our PRC Legal Advisor and the Joint Sponsors' PRC legal advisor made a telephone consultation on a named basis with the China Cybersecurity Review Technology and Certification Center (the "CCRC", currently China Cybersecurity Review, Certification and Market Regulation Big Data Center), which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines. The CCRC confirmed that (i) the term "listing in a foreign country" under the revised Cybersecurity Review Measures does not apply to listing in Hong Kong, and thus the obligation to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the proposed [**REDACTED**] and (ii) given that the Draft Regulations on Cyber Data Security has not become effective, the obligation to apply for cybersecurity review with the Cybersecurity Review Office under the Draft Regulations on Cyber Data Security does not apply to our proposed [**REDACTED**].

We face foreign exchange risks. Fluctuations in exchange rates could have a material and adverse effect on our results of operations and financial performance.

Change in exchange rates may materially and adversely affect our results of operations and financial performance. Since we operate in overseas countries and a portion of our revenue is denominated in currencies other than Renminbi while our cost of sales and operating costs and expenses are predominantly denominated in Renminbi, our margins may be pressured when Renminbi appreciates against other currencies. We also anticipate that the fluctuation of foreign exchange rates would impose a greater influence on our business in light of our overseas expansion plan.

During the Track Record Period, the vast majority of our revenue and expenditures were denominated in Renminbi, while the net [**REDACTED**] from the [**REDACTED**] will be in Hong Kong dollar. 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.

Fluctuations in exchange rates between the Renminbi and other currencies may be affected by, among other things, changes in political and economic conditions and developments. Although we seek to manage our currency risks to minimize any negative effects caused by exchange rate fluctuations, there can be no assurance that we will be able to do so successfully.

Our insurance coverage may not be sufficient, which may have a material and adverse effect on our reputation, results of operations, financial performance and business prospects.

Our primary insurance policies include: (i) property insurances covering major business interruptions and accidental loss for our fixed assets and inventories, (ii) employer liability insurance, and (iii) personal accident insurance and health insurance for our key employees. In the future, we may be unable to renew our insurance policies or obtain new insurance policies without increases in cost or decreases in coverage levels. We may also encounter disputes with insurance providers regarding payments of claims that we believe are covered under our policies. Furthermore, if we are held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our reputation, results of operations, financial performance and business prospects may be materially and adversely affected.

Any uncertainties embedded in the legal systems of the jurisdictions where we operate could affect our business, financial conditions and results of operations.

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

In addition, we are subject to certain uncertainties embedded in the legal systems of some jurisdictions where we operate. Laws and regulations in these markets continue to develop. Many of these laws and regulations are relatively new and continue to evolve and are subject to future interpretations and implementations in response to changing economic and other conditions, which may adversely affect the legal protections and remedies that are available to [**REDACTED**] and us. These uncertainties may materially and adversely affect our business.

RISKS RELATING TO DOING BUSINESS IN THE PRC

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

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

On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures, which have become effective on March 31, 2023. The Overseas Listing Trial Measures require, among others, that PRC domestic companies that seek to initially offer and list securities in overseas markets, either directly or indirectly, file the required documents with the CSRC within three business days after its application for overseas listing is submitted. See "Regulatory Overview — Regulations on Securities and Overseas Listing". We will file with CSRC within a specific time limit as required by the Overseas Listing Trial Measures. However, we cannot assure you that we could complete such filing in a timely manner or at all, the failure of which may restrict our ability to complete the proposed [**REDACTED**] and have a material and adverse effect on our financial performance and business prospects.

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

Given that the Overseas Listing Trial Measures and the Archives Rules were recently promulgated, their interpretation, application, and enforcement are still evolving and subject to change. We are closely monitoring how they will affect our operations and our future financing.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for this [**REDACTED**] or our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the [**REDACTED**] from the [**REDACTED**] into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our financial conditions and business prospects.

Changes in economic, regulatory, political and social conditions could have a material and adverse effect on our results of operations, financial performance and business prospects.

We are headquartered in Henan Province, China and currently most of our operations are conducted in China. Accordingly, our results of operations, financial performance and business prospects may be influenced by the economic, regulatory, political and social conditions in China. China has implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. China's freshly-made drinks industry in general is affected by macro-economic factors, including international, national, regional and local economic conditions, trade relationships, employment levels, consumer demand and discretionary spending. Any changes in these factors may have material and adverse effect on our results of operations, financial performance and business prospects.

[**REDACTED**] ***may experience difficulties in effecting service of legal process and enforcing judgments against us and our Directors, Supervisors and management.***

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

Although we will be subject to the Listing Rules and the Hong Kong Takeovers Code upon the [**REDACTED**], the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Hong Kong Takeovers Code do not have the force of law in Hong Kong.

We are subject to the currency exchange regulatory system.

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

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

Our operations are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our results of operations, financial performance and business prospects.

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

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

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the IIT Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprises with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

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

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

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

RISKS RELATING TO THE [REDACTED]

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

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

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

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

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

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

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

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

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

Immediately upon the completion of the [**REDACTED**], without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**], Mr. Zhang Hongchao directly and through Qingchun Wuwei, and Mr. Zhang Hongfu directly and through Shiyu Zuxia, will control [**REDACTED**]% and [**REDACTED**]% of our total issued share capital, respectively. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates or positions on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the approval of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as a part of a sale of our Company and may significantly reduce the price of our H Shares.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from us and our subsidiaries. Under PRC law and the constitutional documents of our PRC operating subsidiaries, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in many aspects from the calculation under IFRSs. In addition, as stipulated by our Articles, distributable profits are recognized as our after-tax profit determined under PRC GAAP or IFRSs, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, our Company and our subsidiaries may not be able to pay a dividend in a given year if our Company or our subsidiaries do not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRSs. See "Financial Information — Dividends" for details of our dividend policy.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute any amount of dividends in the future. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as they may deem relevant, and subject to the approval at a Shareholders' meeting. We may not have sufficient or any profits to enable us to distribute dividends to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

***There will be a gap of several days between pricing and trading of our H Shares, and the price of our H Shares when trading begins could be lower than the* [REDACTED].**

The initial price of our H Shares sold in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the [**REDACTED**]. As a result, [**REDACTED**] may not be able to sell or otherwise deal in the [**REDACTED**] during that period. Accordingly, holders of our H Shares are subject to the risk that the price of the Shares when trading begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading 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 drinks industry in China and internationally. Such information and statistics have been derived from various official governments and other publications and from a third-party report commissioned by us. We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. However, we cannot guarantee the quality or reliability of such information. The information and statistics from official governments have not been independently verified by the Company, the Joint Sponsors, [**REDACTED**], 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 their 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, 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.

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

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

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

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Our headquarters are based, and most of the business operations of our Group, are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play very important roles in our Company's business operations. It is in our best interests for them to be based in places where our Group has significant operations. We consider it practically difficult and commercially unreasonable for us to arrange for two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our existing executive Directors or appointment of additional executive Directors. Therefore, our Company does not have, or does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

(a) We have appointed Mr. Zhang Hongfu (張紅甫) and Ms. Tang King Yin (鄧景賢) as our authorized representatives (the "Authorized Representatives") pursuant to Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our Company's principal channel of communication with the Hong Kong Stock Exchange. The Authorized Representatives will be readily contactable by phone, facsimile and email to promptly deal with inquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matter within a reasonable period of time upon request of the Hong Kong Stock Exchange;

(b) When the Hong Kong Stock Exchange wishes to contact our Directors on any matter, each of the Authorized Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes in the authorized representatives. We have provided the Hong Kong Stock Exchange with the contact details (i.e. mobile phone number, office phone number and email address) of all Directors to facilitate communication with the Hong Kong Stock Exchange. Our Directors will also provide the phone number of the place of his/her accommodation to the Authorized Representatives in the event that any Director expects to travel or otherwise be out of office;

(c) All Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period of time;

(d) We have appointed Somerley Capital Limited as our Compliance Advisor upon the [**REDACTED**] pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [**REDACTED**] and ending 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**]. The Compliance Advisor will have access at all times to our Authorized Representatives, Directors, Supervisors and members of our senior management, who will act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available. The contact details of the Compliance Advisor has been provided to the Hong Kong Stock Exchange and the Company will inform the Hong Kong Stock Exchange promptly in respect of any change in the Compliance Advisor; and

(e) The Company has designated staff members as the communication officer at the Company's headquarters after the [**REDACTED**] who will be responsible for maintaining day-to-day communication with the Authorized Representatives, and the Company's professional advisors in Hong Kong, including our legal advisors in Hong Kong and the Compliance Advisor, to keep abreast of any correspondences and/or inquiries from the Hong Kong Stock Exchange and report to the executive Directors to further facilitate communication between the Hong Kong Stock Exchange and the Company.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Hong Kong 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).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

(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 laws and regulations including the SFO, the Companies Ordinance, the 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 has appointed Mr. Chen Yixin (陳翊新) ("Mr. Chen"), as one of our joint company secretaries. Mr. Chen has sufficient experience in legal and capital markets affairs but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Tang King Yin (鄧景賢) ("Ms. Tang"), who is associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary. Ms. Tang will provide assistance to Mr. Chen for an initial period of three years from the [**REDACTED**] to enable Mr. Chen to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Since Mr. Chen does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong 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. Chen may be appointed as a joint company secretary of our Company. Pursuant to paragraph 13 of Chapter 3.10 under the Guide for New Listing Applicants published by the Stock Exchange, the waiver will be for a fixed period of time (the "Waiver Period") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. The waiver is valid for an initial period of three years from the [**REDACTED**], and is granted on the condition that Ms. Tang will work closely with Mr. Chen to jointly discharge the duties and responsibilities as company secretary and assist Mr. Chen in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Tang will also assist Mr. Chen in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Tang is expected to work closely with Mr. Chen and will maintain regular contact with Mr. Chen, the Directors, the Supervisors and the senior management of our Company. The waiver will be revoked immediately if Ms. Tang ceases to provide assistance to Mr. Chen as a joint company secretary for the three-year period after the [**REDACTED**] or where there are material breaches of the Listing Rules by our Company. In addition, Mr. Chen 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**]. Mr. Chen will also be assisted by (a) Compliance Advisor of our Company, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisors of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Before the expiration of the initial three-year period, the qualifications of Mr. Chen will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Mr. Chen, having benefited from the assistance of Ms. Tang 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.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhang Hongchao (張紅超)	No. 67, Building 13, Courtyard 18 Dongfeng Road Jinshui District Zhengzhou, Henan Province PRC	Chinese
Mr. Zhang Hongfu (張紅甫)	Room 102, Unit 4, Building 11 No. 90, Zhenghua Road Jinshui District Zhengzhou, Henan Province PRC	Chinese
Ms. Cai Weimiao (蔡衛淼)	Room 1404, Unit 2, Building 1 Guanjun Road North and Fengshou Road East Jinshui District Zhengzhou, Henan Province PRC	Chinese
Ms. Zhao Hongguo (趙紅果)	Room 1401, Building 9 No. 58, Jialuhebei Road Jinshui District Zhengzhou, Henan Province PRC	Chinese
Independent Non-Executive Directors		
Ms. Poon Philana Wai Yin (潘慧妍)	Flat 1, 6th Floor Block F, Villa Monte Rosa 41A Stubbs Road Hong Kong	Canadian
Mr. Chu Gary Hsi (朱璽)	310 Ming Yuan Villa No. 189, Longxi Road Changning District Shanghai PRC	American
Mr. Huang Sidney Xuande (黃宣德)	80 Holland Park London W11 3SG United Kingdom	American

SUPERVISORS

Name	Address	Nationality
Ms. Cui Haijing (崔海靜)	Room 1404, Unit 1, Building 17, Courtyard 86 Sanquan Road Jinshui District Zhengzhou, Henan Province PRC	Chinese
Ms. Yu Min (于敏)	No. 169-12 Longhaixi Road Zhongyuan District Zhengzhou, Henan Province PRC	Chinese
Mr. Sun Jiantao (孫建濤)	Room 704, Unit 2, Building A, Zhoukou Dong Jing Guo Ji Ming Yuan Daqing Road West and Jianshe Road South Chuanhui District Zhoukou, Henan Province PRC	Chinese

For further details on our Directors and Supervisors, see the section headed "Directors, Supervisors and Senior Management".

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors *(in alphabetical order of the logos on the important page)*	**Merrill Lynch (Asia Pacific) Limited** 55/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	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* **Davis Polk & Wardwell** 10th Floor The Hong Kong Club Building 3A Chater Road Hong Kong
	As to PRC law **Zhong Lun Law Firm** 22-31/F, South Tower of CP Center 20 Jin He East Avenue Chaoyang District Beijing PRC
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong and U.S. laws* **Freshfields Bruckhaus Deringer** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong
	As to PRC law **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing China
Reporting Accountants and Auditor	**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
Compliance Advisor	**Somerley Capital Limited** 20/F China Building 29 Queen's Road Central Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	Room 16004, Hanhai Beijin Commerce Center Beisanhuan South and Wenhua Road East Jinshui District Zhengzhou, Henan Province PRC
Headquarters and Principal Place of Business in the PRC	Room 16004, Hanhai Beijin Commerce Center Beisanhuan South and Wenhua Road East Jinshui District Zhengzhou, Henan Province PRC
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company's Website	**www.mxbc.com** (*The information contained in this website does not form part of this document*)
Joint Company Secretaries	Mr. Chen Yixin (陳翊新) Room 401, Unit 4, Building 2, Courtyard 20 Yucai Road Wenfeng District Anyang, Henan Province PRC Ms. Tang King Yin (鄧景賢) *ACG, HKACG* 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	Mr. Zhang Hongfu (張紅甫) Room 102, Unit 4, Building 11 No. 90, Zhenghua Road Jinshui District Zhengzhou, Henan Province PRC Ms. Tang King Yin (鄧景賢) *ACG, HKACG* 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

Audit Committee	Mr. Huang Sidney Xuande (黃宣德) *(Chairman)* Ms. Poon Philana Wai Yin (潘慧妍) Mr. Chu Gary Hsi (朱璽)
Nomination Committee	Mr. Zhang Hongchao (張紅超) *(Chairman)* Mr. Chu Gary Hsi (朱璽) Mr. Huang Sidney Xuande (黃宣德)
Remuneration Committee	Mr. Chu Gary Hsi (朱璽) *(Chairman)* Mr. Huang Sidney Xuande (黃宣德) Mr. Zhang Hongfu (張紅甫)

[**REDACTED**]

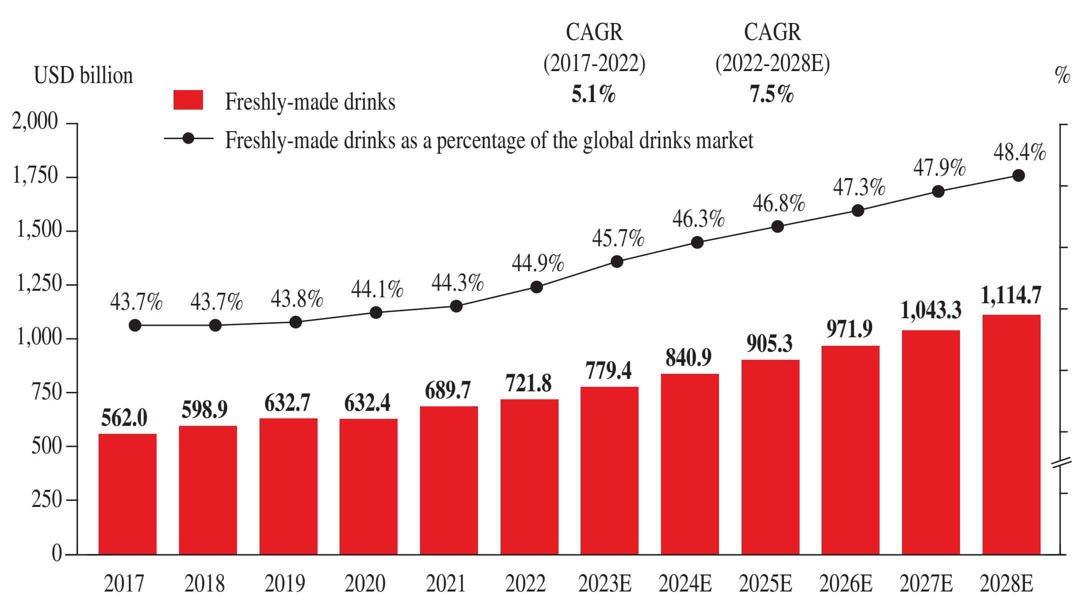
Principal Bank	**China Construction Bank** Zhengzhou Wenhua Road Branch No.76, Wenhua Road Jinshui District Zhengzhou, Henan Province PRC

Certain information and statistics set out in this section and elsewhere in this document are derived from various government and other publicly available sources, and from the market research report prepared by CIC (including certain consumer surveys), an independent industry consultant, that we commissioned (the "CIC Report"). The information extracted from the CIC Report should not be considered as a basis for* [REDACTED] *in the* [REDACTED] *or as an opinion of CIC with respect to the value of any securities or the advisability of* [REDACTED] *in our Company. We believe that the sources of this information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors,* [REDACTED]*, any of our or their respective directors, officers or advisers (other than CIC), or any other persons or parties involved in the* [REDACTED]*, nor is any representation given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. For discussions of risks relating to our industries, see "Risk Factors — Risks Relating to Our Business and Industry".

GLOBAL FRESHLY-MADE DRINKS MARKET

Freshly-made drinks refer to non-alcoholic drinks prepared onsite, including freshly-made fruit drinks, tea drinks, ice cream, and coffee. The global freshly-made drinks market is a vast market with potential for accelerated growth in the coming years. As measured by GMV, the market grew at a CAGR of 5.1% from US$562.0 billion in 2017 to US$721.8 billion in 2022. It is projected to grow with an accelerated CAGR of 7.5% from 2022 to 2028 to reach US$1,114.7 billion in 2028, constituting nearly half of the overall global drinks market by 2028.

Market size of freshly-made drinks in terms of GMV, Global, 2017-2028E

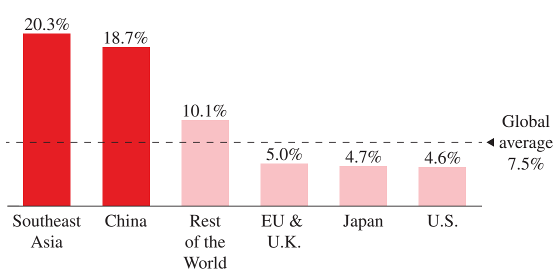


Note: Drinks market comprises the markets for (i) freshly-made drinks, and (ii) ready-to-drink products ("RTD drinks"), which are non-alcoholic pre-packaged drinks sold in a prepared form.

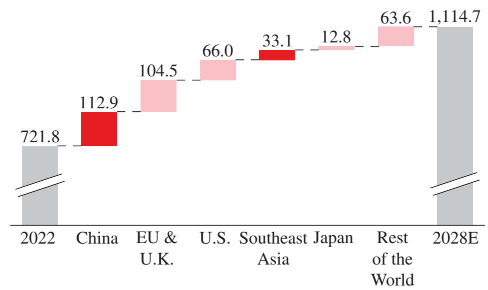
Source: CIC

The rapid expansion of emerging markets, particularly China and Southeast Asia, is a key contributor to the accelerated growth anticipated in the global freshly-made drinks market. The growth of these two markets is expected to lead that of the major markets worldwide, with a respective CAGR of 18.7% and 20.3% from 2022 to 2028. Their cumulative growth is projected to contribute nearly 40% to the total growth of the global freshly-made drinks market during the same period, increasing their combined shares in the global freshly-made drinks market from 10.9% in 2022 to 20.2% in 2028.

CAGR from 2022 to 2028E of freshly-made drinks market in terms of GMV, Global



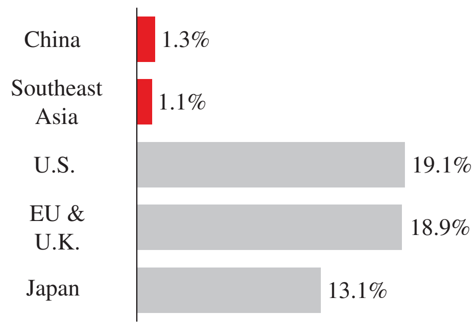
Increment of global freshly-made drinks market in terms of GMV, USD billion, by regions, 2022-2028E



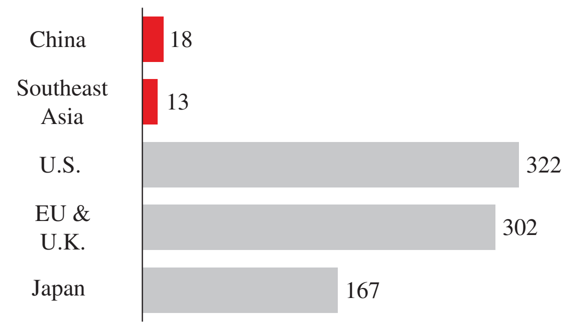
Source: CIC

The rapid growth of the China and Southeast Asia markets is rooted in the structural shift in their populations' fluid intake towards more freshly-made drinks. In 2022, freshly-made drinks consumption volume only accounted for approximately 1% of the total fluid intake in China and Southeast Asia, substantially lower than an average of over 17% consumption level observed in developed markets including the United States, the European Union and the United Kingdom, and Japan. In the same year, per capita annual consumption of freshly-made drinks in China and Southeast Asia was 18 cups and 13 cups, respectively, compared to an average of over 260 cups in those developed markets. By 2028, per capita annual consumption of freshly-made drinks in China and Southeast Asia is expected to nearly triple to 52 cups and 36 cups, respectively, presenting attractive growth prospects.

Freshly-made drinks consumption volume as a percentage of total fluid intake, 2022



Annual consumption of freshly-made drinks per capita, cups per year, 2022



Note: Fluid intake includes freshly-made drinks, RTD drinks, milk, and tap water.

Source: CIC

Our Group is the world's second largest freshly-made drinks company, in terms of both number of stores as of September 30, 2023 and number of cups sold in the nine months ended September 30, 2023.

Top three freshly-made drinks companies in terms of period-end number of stores and number of cups sold, Global, the nine months ended September 30, 2023

Ranking	Company	Major products	Period-end number of stores, thousand	Number of cups sold, billion
1	Company A	Freshly-made drinks, food	38.0	7.4
2	**Our Group**	**Freshly-made drinks**	**36.2**	**5.8**
3	Company B	Freshly-made drinks, food	21.0	1.6

Notes:

1. Company A is a U.S. listed multi-national company headquartered in Seattle, Washington, the United States.

   Company B is a multi-brand restaurant company headquartered in Atlanta, Georgia, the United States.

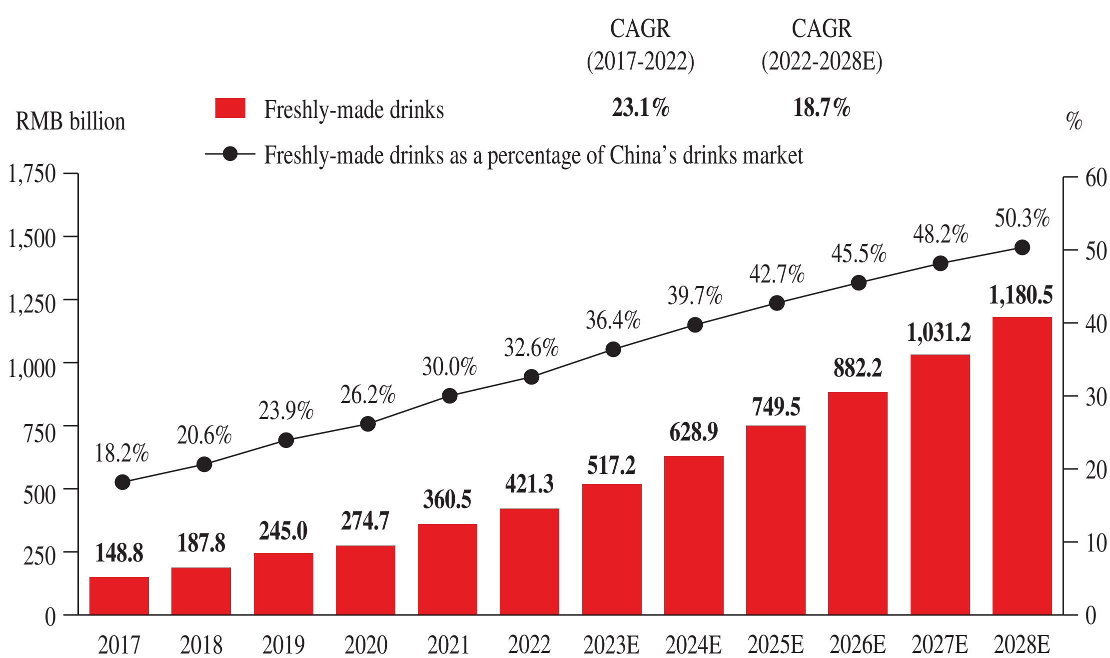
2. For a meaningful comparison, Company B's number of stores as of September 30, 2023 refers to the stores operating under its freshly-made drinks brands, and the number of cups sold correspondingly reflects that sold through these stores.

Source: CIC

CHINA'S FRESHLY-MADE DRINKS MARKET

The total GMV of China's freshly-made drinks market is projected to grow from RMB421.3 billion in 2022 to RMB1,180.5 billion in 2028, with a CAGR of 18.7% significantly outpacing the 5.0% CAGR anticipated for RTD drinks during the same period. By 2028, China's freshly-made drinks market is poised to surpass the RTD drinks market, comprising over half of China's drinks market.

Market size of freshly-made drinks in terms of GMV, China, 2017-2028E



Source: CIC

Our Group is China's largest freshly-made drinks company, in terms of GMV and number of cups sold in the nine months ended September 30, 2023, and number of stores as of September 30, 2023. The number of cups sold through our Group's store network in the nine months ended September 30, 2023 surpassed the total number of cups sold by the market's second to fifth largest players combined. Additionally, there were approximately 650 thousand freshly-made drinks shops in China as of September 30, 2023. The number of stores within our Group's network was close to the aggregate number of stores of the market's second to fifth largest players combined.

Top five freshly-made drinks companies in terms of GMV, China, the nine months ended September 30, 2023

Ranking	Company	List price range of major products, RMB	GMV, RMB billion	Market share in terms of GMV
1	**Our Group**	**2-8**	**34.6**	**11.2%**
2	Company C	14-21	23.0	7.4%
3	Company A	30-41	19.2	6.2%
4	Company D	10-18	13.8	4.5%
5	Company E	10-22	12.5	4.0%

Top five freshly-made drinks companies in terms of number of cups sold and period-end number of stores, China, the nine months ended September 30, 2023

Ranking	Company	List price range of major products, RMB	Number of cups sold, billion	Market share in terms of number of cups sold	Period-end number of stores, thousand
1	**Our Group**	**2-8**	**5.4**	**32.7%**	**32.2**
2	Company C	14-21	1.2	7.3%	13.3
3	Company D	10-18	0.9	5.5%	8.6
4	Company E	10-22	0.7	4.2%	7.5
5	Company F	10-19	0.5	3.0%	7.3

Notes:

1. Company C is a freshly-made coffee company headquartered in Fujian, China.

   Company D is a freshly-made tea drinks company headquartered in Zhejiang, China.

   Company E is a freshly-made tea drinks company headquartered in Sichuan, China.

   Company F is a freshly-made tea drinks company headquartered in Shanghai, China.

2. Market share in terms of GMV is calculated by dividing the GMV generated from all products of a freshly-made drinks company by the GMV generated across all freshly-made drinks shops in China.

3. Market share in terms of number of cups sold is calculated by dividing the cups of drinks sold by a freshly-made drinks company by the total number of cups sold across all freshly-made drinks shops in China.

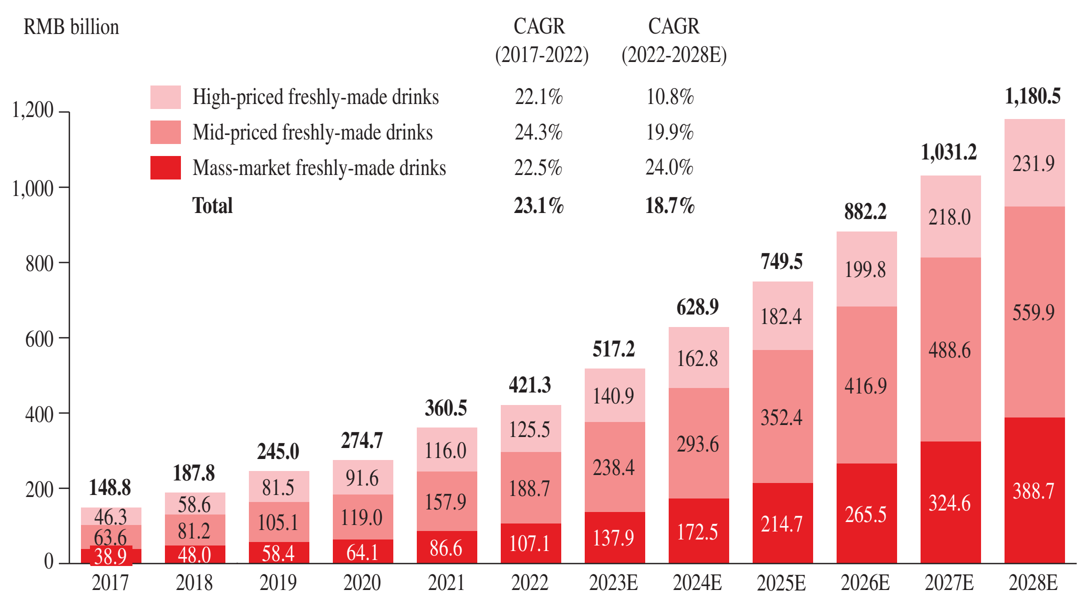
Source: CIC

Price Range Segmentation – Mass-Market Segment Is Fastest-Growing

Freshly-made drinks can be categorized into three price ranges: (i) mass-market, with price per item not higher than RMB10, (ii) mid-priced, with price per item lower than RMB20, but higher than RMB10, and (iii) high-priced, with price per item not lower than RMB20.

Among all these price ranges, the mass-market segment is expected to have the highest growth rate, with its GMV expanding from RMB38.9 billion in 2017 to RMB107.1 billion in 2022 at a CAGR of 22.5%. This mass-market segment is forecasted to reach RMB388.7 billion in 2028 at a CAGR of 24.0% from 2022 to 2028.

Market size of freshly-made drinks in terms of GMV, by price range, China, 2017-2028E



Source: CIC

This rapid growth is mainly fueled by (i) the increasing penetration of mass-market freshly-made drinks within China's overall drinks market, and (ii) the growing consumer preferences for mass-market freshly-made drinks.

Increasing penetration of mass-market freshly-made drinks within China's overall drinks market

Within China's overall drinks market, freshly-made drinks offer consumers fresher ingredients, a richer taste, a wider variety including seasonal and regional options, and overall, a more customized and engaging consumer experience. Specifically, mass-market freshly-made drinks, priced similarly to other mass-market drinks products (usually not higher than RMB10 per item), are gaining popularity among Chinese consumers. With expanded store networks improving product accessibility, mass-market freshly-made drinks are anticipated to capture a growing share of China's overall drinks consumption. Our Group is the only freshly-made drinks company among the five largest drinks companies in China, in terms of GMV in the nine months ended September 30, 2023.

Top five drinks companies in terms of GMV, China, the nine months ended September 30, 2023

Ranking	Company	Major drinks products	List price range of major drinks products, RMB	GMV, RMB billion	GMV YoY growth
1	Company G	RTD drinks	2-6	70.1	2.5%
2	Company H	RTD drinks	2-8	69.5	5.6%
3	Company I	RTD drinks	2-10	67.5	16.7%
4	Company J	RTD drinks	2-8	64.4	4.0%
5	**Our Group**	**Freshly-made drinks**	**2-8**	**34.6**	**47.9%**

Notes:

1. Company G is a drinks company headquartered in China.

   Company H is a food and drinks company headquartered in China.

   Company I is a drinks company headquartered in China.

   Company J is the China branch of a U.S. drinks company.

2. For a meaningful comparison, GMV for the Company G, H, I and J excludes GMV generated from the sales of food products.

Source: CIC

Growing consumer preferences for mass-market freshly-made drinks

The growing consumer preferences for mass-market freshly-made drinks are mainly driven by increasing consumer emphasis on value for money as freshly-made drinks become integral to everyday consumption. According to the CIC Survey, the most crucial factor for the surveyed consumers choosing a freshly-made tea drinks brand is "whether the brand offers high-quality products with value for money". For freshly-made coffee, the surveyed consumers who do not frequently consume freshly-made coffee cited high price as a significant deterrent. Among these consumers, approximately 90% express a willingness to explore nearby freshly-made coffee options with price per item not higher than RMB10.

Among the five largest players in terms of GMV in China's freshly-made drinks market, our Group is the only company focused on mass-market freshly-made drinks. Excelling in the mass-market segment requires a company to offer compelling product quality and great value for money simultaneously. This calls for more in supply chain breadth and depth, as well as brand reputation, as compared to other industry players focusing on higher-priced alternatives.

- ***Breadth and depth of supply chain***. The breadth and depth of supply chain is crucial for developing high-quality products with value for money in the mass-market freshly-made drinks segment. The supply chain needs to extend end-to-end to cover procurement, production, logistics, R&D and quality control, with depth at every aspect. Specifically, an expansive upstream procurement network ensures the stable supply of high-quality raw materials with competitive prices. Large-scale centralized factories enhance self-sufficient production capabilities of core ingredients in a cost-effective manner. Self-operated warehouse system and dedicated delivery network create advantages in terms of logistics costs and efficiency.

- ***Brand reputation***. To succeed in the mass-market freshly-made drinks segment, building a sizable and loyal consumer base with frequent consumption habits is crucial. Establishing a household brand is essential to reach a broad consumer base efficiently. Furthermore, as mass-market freshly-made drinks become integral to daily routines, consumers often opt for a highly recognized brand to simplify decision-making in their frequent consumption. This, in turn, requires a steadfast, enduring commitment to high product quality, compelling consumer experience, and a universally resonant brand culture across demographics and geographies.

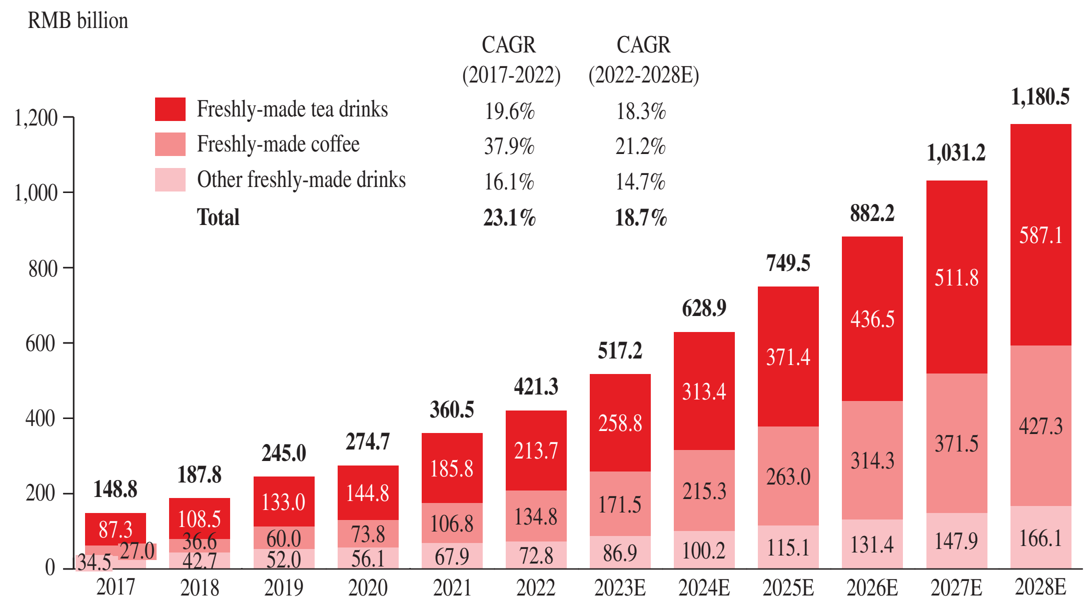
Product Segmentation – Freshly-Made Tea Drinks & Freshly-Made Coffee

The main segments of China's freshly-made drinks market include freshly-made tea drinks and coffee.

- **Freshly-made tea drinks – largest segment.** As measured by GMV, the freshly-made tea drinks segment represents the largest segment, comprising over 50% of China's freshly-made drinks market in 2022.

- **Freshly-made coffee – fastest-growing segment.** The freshly-made coffee segment is forecasted to grow at a CAGR of 21.2% from 2022 to 2028 as the fastest-growing segment within China's freshly-made drinks market.

Market size of freshly-made drinks in terms of GMV, by product category, China, 2017-2028E



Note: Other freshly-made drinks mainly include freshly-made fruit drinks, ice cream and yogurt.

Source: CIC

Freshly-made tea shops and freshly-made coffee shops are the primary channels for consumers to purchase freshly-made tea drinks and coffee, complemented by other outlets such as restaurants, bakeries and convenient stores.

Freshly-Made Tea Shops

Freshly-made tea shops usually offer a variety of products including freshly-made tea drinks, fruit drinks, and ice cream. The per capita annual consumption of freshly-made tea drinks in China is forecasted to grow from approximately 9 cups in 2022 to 26 cups in 2028, driving China's freshly-made tea shops market to expand at a CAGR of 21.2% from RMB168.0 billion in 2022 to RMB531.9 billion in 2028, as measured by GMV.

Within China's freshly-made tea shops market, *Mixue* is China's largest freshly-made tea drinks brand, in terms of GMV and number of cups sold in the nine months ended September 30, 2023.

Top five freshly-made tea drinks brands in terms of GMV and number of cups sold, China, the nine months ended September 30, 2023

Ranking	Brand	List price range of major products, RMB	GMV, RMB billion	Market share in terms of GMV	Number of cups sold, billion	Market share in terms of number of cups sold
1	***Mixue***	**2-8**	**33.1**	**20.0%**	**5.2**	**49.5%**
2	Brand D	10-18	13.8	8.3%	0.9	8.6%
3	Brand E	10-22	12.5	7.6%	0.7	6.7%
4	Brand F	10-19	7.0	4.2%	0.5	4.8%
5	Brand K	10-20	6.8	4.1%	0.5	4.8%

Note: Brand D is operated by Company D.

Brand E is operated by Company E.

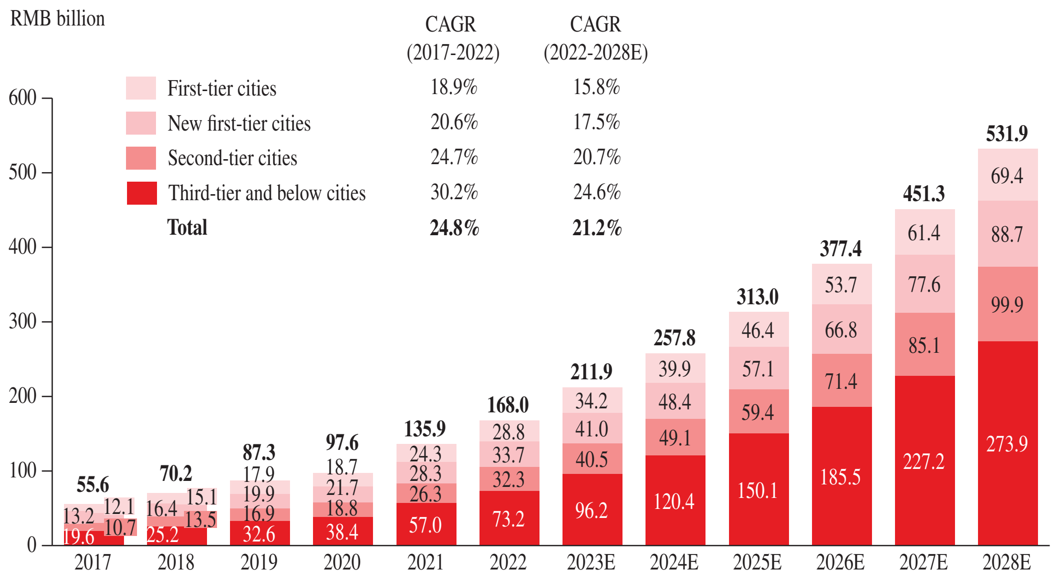
Brand F is operated by Company F.

Brand K is operated by a freshly-made tea drinks company headquartered in Taiwan, China.

Source: CIC

Third-tier and below cities in China, with underserved consumer demands for freshly-made drinks due to limited accessibility, represent substantial growth opportunities for freshly-made tea shops. As of December 31, 2022, the density of freshly-made tea shops in third-tier and below cities was 247 stores per million population, considerably lower than 460 stores per million population in first-tier cities. Growing rapidly, the number of freshly-made tea drinks shops in third-tier and below cities in China reached approximately 240 thousand as of September 30, 2023. In the coming years, the freshly-made tea shops market in third-tier and below cities, as measured by GMV, is anticipated to grow at a CAGR of 24.6% from RMB73.2 billion in 2022 to RMB273.9 billion in 2028, registering the fastest growth among all city-tier segments and constituting 51.5% of China's freshly-made tea shops market by 2028.

Market size of freshly-made tea shops in terms of GMV, by city-tier, China, 2017-2028E



Source: CIC

Mixue is China's largest freshly-made tea drinks brand, in terms of number of stores as of September 30, 2023. Among the market's five largest players, *Mixue* has the deepest penetration in third-tier and below cities in China. The number of *Mixue* stores in these cities as of September 30, 2023 surpassed the combined number of stores of the second to fifth largest players.

Top five freshly-made tea drinks brands in terms of number of stores, China, as of September 30, 2023

Ranking	Brand	List price range of major products, RMB	Number of stores, thousand	Number of stores in third-tier and below cities, thousand
1	***Mixue***	**2-8**	**29.2**	**16.5**
2	Brand D	10-18	8.6	4.2
3	Brand E	10-22	7.5	2.9
4	Brand F	10-19	7.3	3.6
5	Brand L	11-20	7.0	3.8

Note: Brand L is operated by a freshly-made tea drinks company headquartered in Sichuan, China.

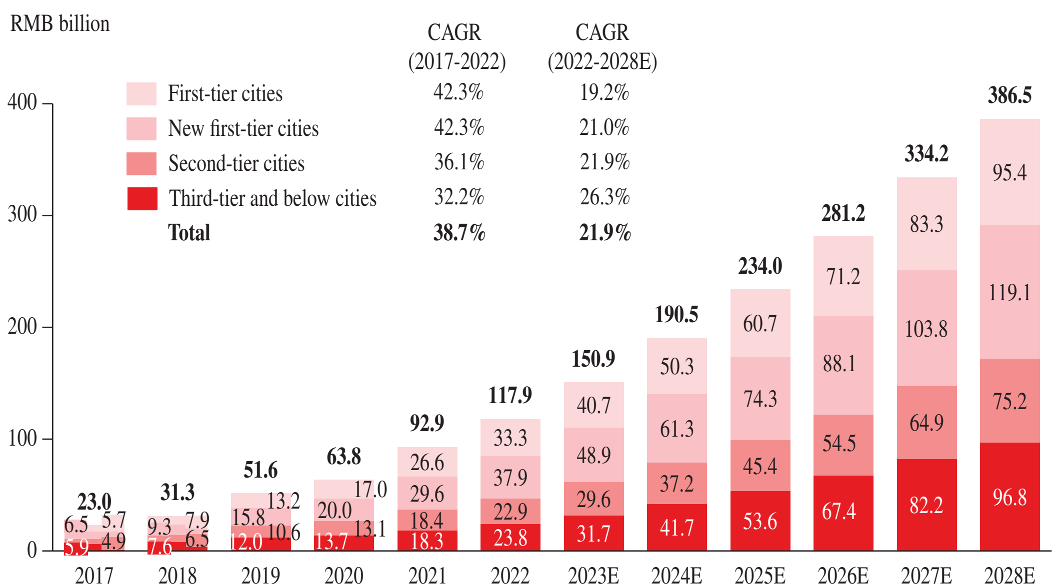
Source: CIC

Freshly-Made Coffee Shops

Freshly-made coffee shops primarily offer coffee drinks prepared onsite using freshly-grounded coffee beans. The overall coffee consumption in China, driven by increased urbanization and disposable income, has been undergoing substantial growth. The percentage of China's population consuming freshly-made coffee is projected to rise from 7.4% in 2022 to 14.1% in 2028. Per capita annual consumption is forecasted to increase from approximately 4 cups in 2022 to 13 cups in 2028. This growth is expected to propel the market of freshly-made coffee shops from RMB117.9 billion in 2022 to RMB386.5 billion in 2028, representing a CAGR of 21.9%.

As penetration deepens in lower-tier cities, particularly in third-tier and below cities which had approximately 40 thousand freshly-made coffee shops as of September 30, 2023, there is significant growth potential for freshly-made coffee shops in these cities in the coming years. As measured by GMV, the market of freshly-made coffee shops in third-tier and below cities is anticipated to grow at a CAGR of 26.3% from 2022 to 2028 to nearly reach RMB100 billion by 2028. Positioned as value for money, mass-market freshly-made coffee priced not higher than RMB10 per item is poised to capitalize on this substantial growth in the market of freshly-made coffee shops in third-tier and below cities.

Market size of freshly-made coffee shops in terms of GMV, by city-tier, China, 2017-2028E



Source: CIC

Lucky Cup is the fifth largest freshly-made coffee brand in terms of GMV in the nine months ended September 30, 2023, and the fourth largest freshly-made coffee brand in terms of number of cups sold in the nine months ended September 30, 2023 and number of stores as of September 30, 2023. With 60.9% of its stores located in third-tier and below cities as of September 30, 2023, *Lucky Cup* caters to the rising consumer demands for freshly-made coffee shops in these cities. Additionally, *Lucky Cup* is the only brand among the top five freshly-made coffee brands that focuses on offering mass-market freshly-made coffee.

Top five freshly-made coffee brands in terms of GMV, China, the nine months ended September 30, 2023

Ranking	Brand	List price range of major products, RMB	GMV, RMB billion	Market share in terms of GMV
1	Brand C	14-21	23.0	19.5%
2	Brand A	30-41	19.2	16.3%
3	Brand M	10-15	3.9	3.3%
4	Brand N	15-30	1.8	1.5%
5	***Lucky Cup***	**5-10**	**1.5**	**1.3%**

Top five freshly-made coffee brands in terms of number of cups sold, China, the nine months ended September 30, 2023

Ranking	Brand	List price range of major products, RMB	Number of cups sold, billion	Market share in terms of number of cups sold
1	Brand C	14-21	1.2	26.1%
2	Brand A	30-41	0.4	8.7%
3	Brand M	10-15	0.3	6.5%
4	***Lucky Cup***	**5-10**	**0.2**	**4.3%**
5	Brand N	15-30	0.1	2.2%

Top five freshly-made coffee brands in terms of number of stores, China, as of September 30, 2023

Ranking	Brand	List price range of major products, RMB	Number of stores, thousand	Number of stores in third-tier and below cities, thousand
1	Brand C	14-21	13.3	3.7
2	Brand A	30-41	6.8	1.0
3	Brand M	10-15	5.9	2.2
4	***Lucky Cup***	**5-10**	**2.9**	**1.8**
5	Brand O	12-27	1.1	0.3

Note: Brand C is operated by Company C.

Brand A is operated by Company A.

Brand M is operated by a freshly-made coffee company headquartered in Beijing, China.

Brand N is operated by a freshly-made coffee company headquartered in Shanghai, China.

Brand O is operated by a freshly-made coffee company headquartered in Shanghai, China.

Source: CIC

Key Drivers and Trends for China's Freshly-Made Drinks Market

Continued urbanization. Continued urbanization in China, particularly in third-tier and below cities, has been driving population concentration in urban areas, expanding the consumer base and increasing the population density for freshly-made drinks. This facilitates efficient reach to consumers by freshly-made drinks shops, thereby fostering sustained market growth.

Increased consumption frequency. The allure of quality products and superior consumer experiences in freshly-made drinks sustains a growing consumer base. With the rising popularity of mass-market freshly-made drinks, consumers are increasingly incorporating freshly-made drinks consumption into their daily routines across diverse consumption scenarios, particularly in specialty freshly-made drinks shops where consumers gain access to high-quality products with value for money, as well as more customized services and experiences.

Growing chain rate. Freshly-made drinks chains enhance operational efficiency and store-level performance through a robust combination of factors such as strong brand reputation, standardized store operations, supply chain capabilities, and economies of scale. As a result, the chain rates of freshly-made tea shops and coffee shops are expected to rise continuously. The freshly-made tea shops chain rate is projected to increase from approximately 52% in 2022 to 72% in 2028, and the freshly-made coffee shops chain rate is expected to grow from approximately 27% in 2022 to 55% in 2028. Additionally, within the freshly-made drinks market, mass-market segment has a lower chain rate, indicating significant growth potential. For instance, the chain rate for mass-market freshly-made tea shops is projected to increase from approximately 37% in 2022 to 61% in 2028, offering substantial growth opportunities. Leading players in the mass-market freshly-made drinks segment, with supply chain breadth and depth and strong brand reputation, are poised to capitalize on this trend.

Emergence of high-quality product supply. Enhancements in the supply chain improve production capabilities and optimize cost structures. A widespread store network expands consumer coverage. Digitalized operational systems and standardized store management model enhance operational efficiency. Investments in R&D elevate taste and quality. Leading freshly-made drinks companies, effectively combining these factors, are poised to introduce more high-quality products, expanding their consumer base and fostering greater consumer loyalty.

Key Success Factors in China's Freshly-Made Drinks Market

Excellent supply chain. Building a high-quality, end-to-end supply chain is crucial to enhancing product quality while optimizing cost structure. Specifically, a comprehensive supplier network secures stable and cost-effective access to high-quality raw materials. Large-scale centralized factories control ingredient quality, enhance self-sufficient production capabilities, and improve value for money in products. Stable logistics systems ensure efficient and timely supply. For franchise-focused freshly-made drinks companies, superior supply chain management capability offers a competitive one-stop solution for franchisees, elevates product standardization, and supports store network expansion.

Strong brand reputation. A widespread offline store network increases the brand exposure of freshly-made drinks companies, capturing consumers' mind-shares. Accordingly, leading freshly-made drinks companies with a large-scale store network have established significant brand influence. In addition, these companies integrate offline marketing activities with online social media campaigns, leveraging IP-related content creation to interact with consumers, increase brand exposure, and cultivate a household brand. Robust brand reputation fosters long-term emotional connections with consumers, leading to effective consumer acquisition, while also increasing brand loyalty and repeated purchases by existing consumers. The strong brand reputation established by leading freshly-made drinks companies therefore represents a competitive strength that is difficult to replicate.

Effective store network management. Effective supervision and management of an expansive store network rely on advanced management systems, comprehensive management structures, and extensive managerial expertise. Leading freshly-made drinks companies are capable of empowering every key facet of business operations, covering procurement, logistics, store operations, training and marketing. With such support, franchisees are able to enhance operational efficiency at the store level and improve individual store profitability, which in turn will also drive the continuous expansion of the brand's store network.

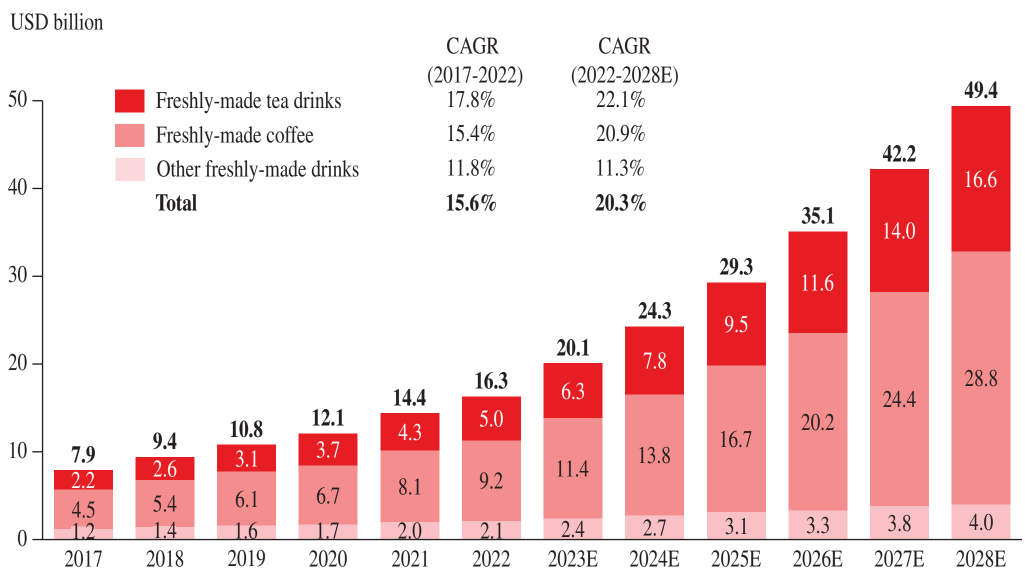
Advanced digitalization. Leading freshly-made drinks companies integrate digitalization into their entire business processes, utilizing digital tools for effective control over procurement, production, and logistics throughout the supply chain. In addition, they utilize digital systems and tools to optimize store site selection, enhance omni-channel marketing, and implement intelligent store management, thereby strengthening management capabilities while improving operational efficiency.

Comprehensive product development. Comprehensive ingredient-related R&D on technologies and production techniques enhance standardized production capabilities and ensure stable product quality for freshly-made drinks companies. Effective investments in product-related R&D enable these companies to promptly respond to evolving consumer demands, improving product taste and diversifying product offerings.

SOUTHEAST ASIA FRESHLY-MADE DRINKS MARKET

Fueled by factors such as a growing consumer base focused on value for money, expanding consumer coverage through growing store networks, and improving supply chain infrastructure, the freshly-made drinks market in Southeast Asia is experiencing rapid expansion. The freshly-made drinks market in Southeast Asia, as measured by GMV, is projected to grow at a CAGR of 20.3% from US$16.3 billion in 2022 to US$49.4 billion in 2028, marking the fastest growth among major markets worldwide.

Market size of freshly-made drinks in terms of GMV, by product category, Southeast Asia, 2017-2028E



Note: Other freshly-made drinks mainly include freshly-made fruit drinks, ice cream and yogurt.

Source: CIC

The freshly-made drinks market in Southeast Asia is highly fragmented and has a lower chain rate compared to China, offering significant growth prospects for market leaders. For example, the freshly-made tea shops chain rate in Southeast Asia was approximately 20% in 2022, significantly lower than that of 52% in China. With approximately 4,000 stores in the Southeast Asia market, *Mixue* is the largest freshly-made tea drinks brand in Southeast Asia, in terms of number of stores as of September 30, 2023 and number of cups sold in the nine months ended September 30, 2023.

Top three freshly-made tea drinks brands in terms of period-end number of stores and number of cups sold, Southeast Asia, the nine months ended September 30, 2023

Ranking	Brand	Period-end number of stores, thousand	Number of cups sold, million
1	***Mixue***	**4.0**	**345.6**
2	Brand P	1.2	122.1
3	Brand Q	0.9	121.5

Note: Brand P is operated by a Taiwan-listed multi-brand restaurant company headquartered in Taiwan, China.

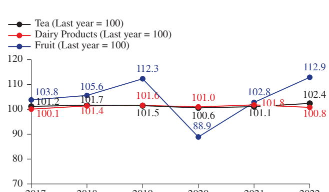
Brand Q is operated by a freshly-made tea drinks company headquartered in Indonesia.

Source: CIC

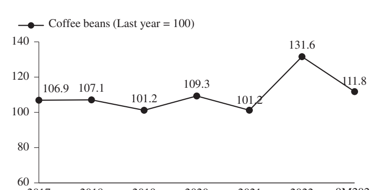
ANALYSIS OF RAW MATERIALS AND LABOR COST CHANGES

The major cost components for freshly-made drinks companies include raw materials, primarily tea, dairy products, fruit, and coffee beans, and labor costs. Historically, market prices for fruit and coffee beans have experienced fluctuations as illustrated in the charts below. In particular, the consumer price index (CPI) for fruit rose from 103.8 in 2017 to 112.3 in 2019, dropped to 88.9 in 2020, rebounded to 102.8 in 2021, and further increased to 112.9 in 2022. The import price index for coffee beans remained relatively stable from 2017 to 2021, increased significantly in 2022, but subsequently declined in the nine months ended September 30, 2023. Tea and dairy products CPI remained relatively stable. On the other hand, labor costs have experienced steady growth.

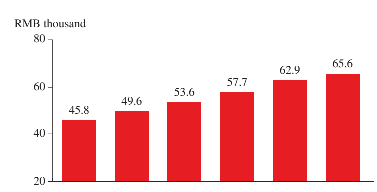
Consumer price index for tea, dairy products, and fruit, China, 2017-2022



Import price index for coffee beans, China, 2017-9M2023



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



Source: CIC, National Bureau of Statistics of the PRC, General Administration of Customs of the PRC

SOURCE OF THE INDUSTRY INFORMATION

CIC was commissioned to conduct research and analysis of, and produce a report on, the global and China's freshly-made drinks market and related economic data at a fee of approximately RMB1,377,000. The commissioned report has been prepared by CIC independently without the influence from the Company or other interested parties. CIC offers industry consulting services, commercial due diligence, and strategic consulting. With a consultant team actively tracking the latest market trends in various industries such as consumer goods and services, agriculture, chemicals, marketing and advertising, culture and entertainment, energy and industry, finance and services, healthcare, TMT, and transportation, CIC possesses the most relevant and insightful market intelligence in these sectors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. We have also referred to certain information in the "Summary", "Risk Factors", "Business" and "Financial Information" sections to provide a more comprehensive presentation of the industry in which we operate.

CIC employed both primary and secondary research methods using a variety of resources. Primary research included interviews with key industry experts and leading participants, while secondary research involved analyzing data from publicly available sources, such as the National Bureau of Statistics and General Administration of Customs of the PRC. The market projections in the CIC Report are based on the following key assumptions during the forecast period: (i) a stable social, economic, and political environment, (ii) steady economic and industrial growth with urbanization, (iii) key industry drivers influencing the freshly-made drinks market, and (iv) no extreme force majeure or unforeseen industry regulations affecting the market fundamentally.

Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries, there is no material and adverse change in the market information since the date of the CIC Report, which may qualify, contradict or have an impact on the information in this section.

Since we operate our business primarily in China, we are subject to various PRC laws and regulations that may impact both our business operations and the [REDACTED].

REGULATIONS ON CORPORATION

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law, which was promulgated by the Standing Committee of the NPC (the "SCNPC") in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies and companies limited by shares. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

General

A "joint stock limited company" refers to an enterprise legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Shareholders' General Meetings

According to the PRC Company Law, a shareholders' general meeting of a company limited by shares shall be constituted by all the shareholders; the shareholders' general meeting shall be the authority of the company and shall exercise duties and powers in accordance with the provisions the PRC Company Law.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months in case of the certain events specified in the PRC Company Law.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting.

The shareholders may appoint the entrusted representative to attend a shareholders' general meeting; the entrusted representative shall submit a power of attorney to the company and exercise the voting rights within the scope of authorization.

Transfer of Shares

Shares held by shareholders may be transferred legally. Under the PRC Company Law, a shareholder should effect a transfer of his/her shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws on the registration of changes in the share register of listed companies. The transfer of bearer share certificates shall become effective upon the delivery of the certificates to the transferee by the shareholder.

Under the PRC Company Law, shares held by promoters may not be transferred within one year of the establishment of the company. Shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

REGULATIONS ON FOREIGN INVESTMENT

Investment in the PRC by foreign investors are mainly regulated by the Catalogue of Industries for Encouraging Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄》(2022年版)), which was promulgated by the Ministry of Commerce of the PRC (the "MOFCOM") and the National Development and Reform Committee of the PRC (the "NDRC") on October 26, 2022 and took effect on January 1, 2023, and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施 (負面清單)》 (2021年版)) (the "Negative List"), which were promulgated by the MOFCOM and the NDRC on December 27, 2021 and took effect on January 1, 2022. The Negative List sets out several restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments in the industries listed in the Negative List and the industries that are prohibited for foreign investment. Any industries not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

On March 15, 2019, the NPC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "FIL"), which came into effect on January 1, 2020, pursuant to which, it is applicable to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organizations. The Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which were promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020, further clarify that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020, pursuant to which, where a foreign investor carries out investment activities in the PRC directly or indirectly, the market regulatory authorities shall forward the investment information submitted by foreign investor or the foreign-invested enterprise to the competent commence administrative authorities.

REGULATIONS ON FRESHLY-MADE DRINKS INDUSTRY IN THE PRC

As the provision of our business covers food production and operation, we shall comply with the relevant provisions, such as obtaining the food production license and the food operation license in accordance with the food production and operation related laws and regulations, and conforming to measures specified in the food safety related laws and regulations to ensure food safety, and complying with the regulations in relation to online catering.

Food Safety

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "Food Safety Law"), which was promulgated by the SCNPC on February 28, 2009 and latest 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》), which were promulgated by the State Council on July 20, 2009 and last amended on October 11, 2019, further specify 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.

According to the Administrative Measures for Supervision and Inspection of Food Production and Business Operation (《食品生產經營監督檢查管理辦法》) promulgated by the SAMR on December 24, 2021 and effective on March 15, 2022, the SAMR shall be responsible for supervising and guiding the supervision and inspection of food production and business operations nationwide and may organize supervision and inspection as needed.

The Measures for Investigation and Punishment of Illegal Acts concerning the Safety of Food Sold Online (《網絡食品安全違法行為查處辦法》), which were promulgated by China Food and Drug Administration (now merged into SAMR) on July 13, 2016 and last amended on April 2, 2021, stipulate the rules for the investigation and punishment of the acts of online food trading third-party platform providers or food producers or traders that trade through their self-established websites violating food safety laws, regulations, rules or food safety standards within the territory of the PRC.

Food Production Licensing

According to the Administrative Measures of Food Production Licensing (《食品生產許可管理辦法》) promulgated by the SAMR on January 2, 2020 and effective on March 1, 2020, entities involved in food production within the PRC shall obtain the food production license. The food production license is valid for five years and is subject to the "one entity, one license" principle. Food producers shall display their original food operation licenses prominently at their sites of production. Where the licensed items specified in the food production license need to be changed, the food producer shall, within 10 business days after the changes take place, file an application for such change with the market regulatory authority which originally issued the license. If the production site of the food producer is relocated, the food production licensing shall be reapplied. Food producers who have engaged in the food production activities without the food production licensing shall be punished by the local market regulatory authority at or above the county level according to the 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.

Food Operation Licensing

According to the Administrative Measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》) promulgated by the SAMR on June 15, 2023 and effective on December 1, 2023, entities involved in food selling and catering services within the PRC shall obtain the food operation license which is valid for 5 years except for certain circumstances. Applications of food operation license shall be filed according to food operators' types of operation and classification of operation projects. Food operators shall display their paper original food operation licenses or their electronic certificate 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 with the market regulatory authority which originally issued the license for alteration of the operation license. Those who engage in food operation activities but failed to obtain a required food operation license shall be punished by the local market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law.

Online Catering Services

In accordance with Measures for the Supervision and Administration of the Safety of Food Offered through Online Catering Services (《網絡餐飲服務食品安全監督管理辦法》) promulgated by China Food and Drug Administration on November 6, 2017 and amended on October 23, 2020, online catering service providers shall have their own physical stores and have obtained the food operation licenses according to the law, and shall carry out business activities pursuant to the business forms and business items specified on their own food operation licenses, and they shall not operate beyond the business scope. Online catering service providers which do not have any physical stores, or fail to obtain the food operation licenses in accordance with the law shall be punished by the local market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law.

REGULATIONS ON FRANCHISED COMMERCIAL OPERATION

We shall comply with the regulations in relation to administration of franchised operation.

Franchised operation is subject to the supervision and administration of the MOFCOM and its local competent commercial departments. These activities are currently regulated by the Regulations on the Administration of Commercial Franchised Operation (《商業特許經營管理條例》) promulgated by the State Council on February 6, 2007 and effective on May 1, 2007, which was supplemented by the Administrative Measures for the Record-filing of Commercial Franchises (《商業特許經營備案管理辦法》) promulgated by the MOFCOM on December 12, 2011 and effective on February 1, 2012 and the Administrative Measures for the Information Disclosure of Commercial Franchise (《商業特許經營信息披露管理辦法》) promulgated by the MOFCOM on February 23, 2012 and effective on April 1, 2012.

According to the above-mentioned applicable regulations, franchisers may engage in franchised operation activities on conditions that they shall have a mature operation model and be capable of providing continuous operation guidance, technical support, training services and other service support for franchisees, as well as owning at least two direct-sale stores in China with the operation period being more than one year. Where franchisers fail to conduct franchised activities in accordance with the above provisions, punishment may be imposed, such as confiscating the illegal proceeds and imposing a fine of above RMB100,000 but less than RMB500,000, and an announcement will be made by the MOFCOM or the local competent department of commerce. The franchise contract shall specify certain necessary provisions concerning terms, the right to terminate and payment.

Franchisers shall submit the business license, a draft of the franchise contract and other documents to the provincial competent commercial department where they are registered within 15 days from the date of the initial signing of the franchise contract with franchisees within China. Where a franchiser engages in franchised activities within the scope of two or more provincial areas, it shall file with the MOFCOM. Filing shall be performed by the franchisers complying with the above applicable regulations through the information management system for commerce franchises established by the MOFCOM. In addition, franchisers shall file with the commercial department concerning the execution, cancellation, termination and renewal of franchise agreements in the preceding year before March 31 of every year.

In case of any changes to franchisers' filing information, such changes shall also be filed with the relevant commercial department after occurrence. Where franchisers fail to file in accordance with such regulations, relevant commercial departments may order the franchiser to file within a stipulated period and impose a fine of more than RMB10,000 but less than RMB50,000. Failure to file within the stipulated period may render a fine of more than RMB50,000 but less than RMB100,000, and a public announcement.

REGULATIONS ON PRODUCT QUALITY AND CONSUMER PROTECTIONS

We are engaged in the food production and the sale of food to consumers and therefore shall comply with the laws and regulations in relation to product quality and consumers rights protection.

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018, the seller shall be responsible for the repair, replacement or return of the product sold if (i) the product sold does not have the function for use that it is supposed to have, and no prior 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 as a result 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》) (the "Civil Code") was adopted by the NPC, 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.

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》) (the "Customer Protection Law") was promulgated by the SCNPC on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013, to protect consumers' rights when they purchase or use goods and accept services. Pursuant to Customer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide customers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Customer Protection Law may subject business operators to civil liabilities such as refunding purchase prices and compensation, administrative penalties such as confiscation of illegal income, fine, order to suspend business for rectification and revocation of business license, or criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of customers.

REGULATIONS ON THE SANITATION OF THE PUBLIC ASSEMBLY VENUE

As our business involves the sales of freshly-made drinks to consumers through physical stores, we shall comply with the regulations on sanitation of the public assembly venue. The air, water quality, lighting, illumination and other items in public assembly venues including coffee house, bar, teahouse, etc., shall comply with the state health standards and requirements. 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 latest amended on 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 latest amended on December 26, 2017, were promulgated by the State Council and the Ministry of Health of the PRC (later known as National Health Commission of the PRC), respectively. The regulations were adopted to create favorable and sanitary conditions for the public assembly venues, prevent disease transmission and safeguard people's health. According to these regulations, operators shall be responsible for the sanitary management of public places operated by them, establish a sanitary accountability system and conduct training and examination for the practitioners concerning the sanitary knowledge. Local hygiene and disease control authorities at various levels are responsible for the supervision of the sanitary conditions in public places within their respective jurisdictions. With regard to any accident endangering the health of the public that is caused by any public place failing to satisfy the sanitary standards and requirements, the operator concerned shall take proper measures and report such accident to the competent hygiene and disease control authorities in a timely manner.

REGULATIONS ON FIRE PREVENTION

As the provision of our business includes food production and operation, we shall comply with the regulations on fire prevention to construct and operate relevant production facilities and business premises.

According to the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) (the "Fire Prevention Law") promulgated by the SCNPC on April 29, 1998 and latest 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 of the PRC on April 1, 2020 and latest amended on August 21, 2023, special construction projects that fail to undergo or pass the fire protection acceptance check 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 from use. Any special construction projects put into use without passing the fire protection acceptance check, or failure to suspend the use of any construction projects other than special construction projects which fail to pass the random inspection on fire safety acceptance, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000. Any constructing entity fails to go through the fire safety acceptance filing for any construction projects other than special construction projects shall be ordered to make corrections and imposed a fine of not more than RMB5,000 by the competent housing and urban-rural development authorities.

Pursuant to the Fire Prevention Law, the constructing entity or the entity occupying the facility shall apply to the fire prevention and rescue department of the local people's government at or above the county level for a fire safety inspection before a public gathering place is put into use or opens for business. Any public gathering place put into use or operated without passing the fire safety inspection or without satisfying the fire safety requirements, shall be ordered to discontinue the construction, use, production or operation and be fined not less than RMB30,000 but not more than RMB300,000.

REGULATIONS ON ENVIRONMENTAL PROTECTION

We shall comply with the regulations on environmental protection to conduct construction projects.

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "Environmental Protection Law"), was promulgated by the SCNPC on December 26, 1989 and latest 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 provisions of 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 fines, rectification within a time limit, forced shutdown, or criminal punishment.

Pursuant to the Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002 and latest amended on December 29, 2018, the State Council implemented an environmental impact assessment (the "EIA") system, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report (the "EIR"), or an environmental impact statement (the "EIS"), or fill out the EIR Form 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 EIR form shall be completed.

According to 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)》), which was promulgated by the Ministry of Ecology and Environment of the PRC On November 30, 2020 and became effective on January 1, 2021, food and beverage services are not included in the management of EIA of construction projects.

REGULATIONS ON WORK SAFETY

As the provision of our business includes food production, we shall comply with the regulations on work safety to conduct food production.

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, last amended on June 10, 2021, and effective on September 1, 2021, production and operating business entities must establish the all-staff work safety responsibility system and work safety rules and regulations, and improve the working environment and conditions for workers in a planned and systematic way. An appropriate mechanism shall also be set up to strengthen the supervision over and assessment of the implementation of the responsibility system for work safety and to ensure the proper implementation of the responsibility system for work safety. 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. The emergency administration under the State Council and its local counterparts are responsible for supervision and control over work safety.

REGULATIONS ON ROAD TRANSPORTATION PERMIT

We are engaged in road transportation related businesses and therefore shall comply with the regulations in relation to road transportation.

Pursuant to the Regulations on Road Transportation of the PRC (《中華人民共和國道路運輸條例》), which were promulgated by the State Council on April 30, 2004 and latest amended on July 20, 2023, and the Provisions on Administration of Road Freight Transportation and Stations (Sites) (《道路貨物運輸及站場管理規定》) which were issued by the Ministry of Transport of the PRC in June 2005 and latest amended in November 2023 (the "Road Freight Provisions"), the business operations of road freight transportation refer to commercial road freight transportation activities that provide public services. The road freight transportation includes general road freight transportation, special road freight transportation, road transportation of large articles, and road transportation of hazardous cargos. Special road freight transportation refers to freight transportation using special vehicles with containers, refrigeration equipment, or tank containers, etc. The Road Freight Provisions set forth detailed requirements with respect to vehicles and drivers, pursuant to which, anyone engaging in the business of operating road freight transportation must obtain a road transportation operation permit from the competent road transportation administrative bureau, and each vehicle used for road freight transportation must have a road transportation certificate. However, where an operator uses an ordinary freight vehicle of 4,500 kilograms or less to engage in general freight transportation business operations, it is not required to apply for a road transportation operation permit and a road transportation certificate.

REGULATIONS ON CYBERSECURITY

Our business processes personal information, and thus we are required to comply with applicable laws, rules and regulations relating to cybersecurity.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "Cybersecurity Law"), which became effective on June 1, 2017. In accordance with the Cybersecurity Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network operators must take technical and other necessary measures as required by laws to safeguard the operation of networks, respond to network security events effectively, prevent illegal and criminal activities in the cyberspace, and maintain the integrity, confidentiality and usability of network data.

On November 14, 2021, the CAC publicly solicited opinions on the Draft Regulations on Cyber Data Security. According to the Draft Regulations on Cyber Data Security, data handlers seeking a public listing in Hong Kong that affect or may affect national security are required to apply for cybersecurity review. The CAC has solicited comments on this draft until December 13, 2021, however, as of the Latest Practicable Date, the Draft Regulations on Cyber Data Security had not yet been formally adopted and there is no timetable as to when it will be enacted. Therefore, the final content of the Draft Regulations of Cyber Data Security, including the standards for determining whether a listing in Hong Kong "affects or may affect national security", may be subject to change, and the interpretation, application and enforcement of relevant laws and regulations shall be determined in accordance with the relevant laws and regulations in effect at that time.

On December 28, 2021, the Cybersecurity Review Measures was issued by CAC jointly with other governmental authorities, which took effect on February 15, 2022. Under the Cybersecurity Review Measures, the procurement of network products and services by CIIO and the data processing activities conducted by network platform operators which affect or may affect national security shall be subject to cybersecurity review. Besides, according to Article 7 of the Cybersecurity Review Measures, a network platform operator who holds the personal information of more than one million users and is seeking for listing in a foreign country must apply for a cybersecurity review. In addition, according to Article 16 of the Cybersecurity Review Measures, members of the cybersecurity review working mechanism may initiate cybersecurity review towards network products, network services, and data processing activities ex officio. Based on the Cybersecurity Review Measures, cybersecurity review shall focus on the assessment of a number of national security risk factors of the relevant object or situation, including but not limited to, risks of any illegal control or supply chain interruption of critical information infrastructure, and risks of illegal use or cross-border transfer of data.

REGULATIONS ON PERSONAL INFORMATION AND DATA PROTECTION

Our business involves collection, storage and use of personal information, and thus we are required to comply with applicable laws, rules and regulations relating to personal information and data protection.

The Cybersecurity Law provides that: (i) to collect and use personal information, network operators shall follow the principles of legitimacy, rightfulness and necessity, disclose rules of personal information collection and use, clearly express the purposes, means and scope of collecting and using the information, and obtain the consent of the individuals whose personal information is gathered; (ii) network operators shall neither gather personal information unrelated to the services they provide, nor gather or use personal information in violation of the provisions of laws and administrative regulations or the scopes of consent given by the individuals whose personal information is gathered; and shall process personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with the individual; (iii) network operators shall not divulge, tamper with or damage the personal information they have collected, and shall not provide the personal information to others without the consent of the individuals whose personal information is collected. However, if the information has been processed and cannot be recovered and thus it is impossible to match such information with specific individuals, such circumstance is an exception.

The Data Security Law of the PRC (《中華人民共和國數據安全法》), which was promulgated by the SCNPC on June 10, 2021 and took effect on September 1, 2021, provides that China shall establish a data classification and grading protection system, formulate the important data catalogs to enhance the protection of important data and establish national core data management system to provide stricter protection of national core data. The conduct of data processing activities shall be in compliance with the provisions of laws and regulations, establishing and completing a data security management system for the entire workflow, organizing and conducting data security education and training, adopting corresponding technical measures and other necessary measures to ensure data security, strengthening risk monitoring, taking immediately disposition measures and promptly reporting to relevant authorities when data security incidents occur. Besides, data collection by any organization or individual shall be conducted by lawful and proper means and the data shall not be acquired by theft or other illegal means. Processors of important data shall specify the person responsible for data security and management agencies, implement data security protection responsibilities, periodically conduct risk assessments of such data processing activities as provided and submit risk assessment reports to the relevant authorities.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "Personal Information Protection Law"), which was issued by the SCNPC on August 20, 2021 and effective on November 1, 2021, provides detailed rules on processing personal information and legal responsibilities, including but not limited to the general principles of processing personal information, the legal bases for processing personal information, the individuals' rights and the handlers' obligations in the processing of personal information, the requirements on data localization and cross-border data transfer, and the requirements on processing of sensitive personal information. CIIO and personal information handlers processing personal information reaching the threshold amount prescribed by CAC shall store personal information collected and produced in the PRC within the territory of the PRC; where they need to transfer it abroad, they shall pass a security assessment organized by the CAC. Personal information handlers shall take the following measures to ensure that personal information processing activities comply with the provisions of laws and administrative regulations, and prevent unauthorized access as well as the leakage, tampering or loss of personal information:

- Developing internal management rules and operating procedures.
- Conducting classified management of personal information.
- Taking corresponding security technical measures such as encryption and de-identification.
- Determining in a reasonable manner the operation privileges relating to personal information processing and providing security education and trainings for employees on a regular basis.
- Developing and organizing the implementation of emergency plans for personal information security incidents.
- Other measures as provided by laws and administrative regulations.

Company violates the Personal Information Protection Law in processing personal information may face penalties, fines, suspension of relevant business or revocation of the business license, etc.

The Draft Regulations on Cyber Data Security also provide provisions on data processing activities carried out through networks, including but not limited to the principles of processing network data, protections of personal information, protections of important data, requirements of cross-border data transfers, obligations of internet platform operator.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATION SERVICES

We have obtained certain value-added telecommunications services operation licenses, the permitted services under which include Internet information services and online data processing and transaction processing services.

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "Telecommunications Regulations"), which were promulgated by the State Council on September 25, 2000 and latest amended on February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Business (《電信業務分類目錄》), attached to the Telecommunications Regulations and as latest amended by the Ministry of Industry and Information Technology of the PRC (the "MIIT") on June 6, 2019, the Internet information services and online data processing and transaction processing services fall within the value-added telecommunications services. The Administrative Measures on Telecommunications Business Operating Licenses (《電信業務經營許可管理辦法》), which were promulgated by the MIIT on March 1, 2009 and amended on July 3, 2017, set forth more specific provisions regarding the types of licenses required to operate value-added telecommunications services, the qualifications and procedures for obtaining such licenses and the administration and supervision of such licenses.

In December 2001, in order to comply with China's commitments with respect to its entry into the World Trade Organization, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "FITE Regulations"), which were latest revised in March 2022 and took effect on May 1, 2022. The FITE Regulations set out detailed requirements with respect to capitalization, investor qualifications, and application procedures in connection with establishing a foreign invested telecom enterprise. Pursuant to the FITE Regulations, unless it is otherwise prescribed by the State, foreign investors may hold an aggregate of no more than 50% of the total equity in any value-added telecommunications business in China.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademarks

Trademarks are protected by the PRC Trademark Law (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, latest amended on April 23, 2019 and effective on November 1, 2019, as well as the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014, pursuant to which, the Trademark Office of China National Intellectual Property Administration, is responsible for trademark registrations and administration, and grants a term of ten years to registered trademarks and another ten years if requested upon expiry of the first or any renewed ten-year term. In addition, the PRC Trademark Law has adopted a "first-to-file" principle with respect to trademark registration.

Copyrights

Pursuant to the PRC Copyright Law (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and latest amended on November 11, 2020, as well as the Implementing Regulations of the PRC Copyright Law (《中華人民共和國著作權法實施條例》) promulgated by the State Council on August 2, 2002 and latest amended on January 30, 2013, the PRC citizens, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The copyright owner enjoys various kinds of rights, including right of publication, right of authorship and right of reproduction, etc.

Patents

According to the PRC Patent Law (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and latest amended on October 17, 2020, as well as the Detailed Rules for the Implementation of the PRC Patent Law (《中華人民共和國專利法實施細則》) promulgated by the State Council on January 9, 2010 and effective on February 1, 2010, the China National Intellectual Property Administration is responsible for administering patents in the PRC. The PRC Patent Law and its implementation rules provide for three types of patents, "invention", "utility model" and "design". Invention patents are valid for twenty years, while design patents are valid for fifteen years and utility model patents are valid for ten years, commencing from the date of application.

Domain Names

Internet domain name registration and related matters are primarily regulated by the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective on November 1, 2017, and the Implementing Rules of Registration of Country Code Top-level Domain Name (《國家頂級域名註冊實施細則》), promulgated by the China Internet Network Information Center (the "CNNIC") on June 18, 2019 and effective on the same day, pursuant to which, the MIIT is in charge of the administration of PRC Internet domain names and the CNNIC is responsible for the daily administration of domain names of ".CN" and ".中国". The registration of domain names follows a "first come, first file" principle. The applicants will become the holders of such domain names upon the completion of the registration procedure.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Contract Law

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety and sanitation, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection. The PRC Labor Contract Law (《中華人民共和國勞動合同法》, which was promulgated by the SCNPC on June 29, 2007 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the PRC labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

Social Insurance

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. In accordance with the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was last amended on December 29, 2018 and other applicable laws and regulations, employers who fail to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times of the amount in arrears.

According to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilising the Collection of Social Security Contributions (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) issued on September 21, 2018, local authorities at all levels responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises in a centralized manner. The Notice of the State Administration of Taxation on Implementing Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) issued on November 16, 2018 and the Notice on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《關於印發<降低社會保險費率綜合方案>的通知》), promulgated by the General Office of the State Council on April 1, 2019, also emphasize that the historical unpaid arrears of enterprises shall be properly treated, or in the process of the reform of the collection system, it is not allowed to conduct self-collection of historical unpaid arrears from enterprises in a centralized manner.

Housing Provident Fund

In accordance with the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which were promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, employers shall register at the competent managing center for housing provident funds and upon the examination by such managing center of housing provident funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing provident funds. Employers are also required to pay and deposit housing provident funds on behalf of their employees in full and in a timely manner. With respect to employers who violate the above regulations and fail to complete housing provident fund contribution registration or open housing provident fund accounts for their employees, such employers shall be ordered by the competent managing center of housing provident funds to complete such procedures within prescribed period. Those who fail to complete such procedures within the prescribed period shall be subject to a fine from RMB10,000 to RMB50,000. For overdue or underpayment of housing provident fund in violation of the provisions of such regulations, the managing center of housing provident funds shall order relevant employers to make contribution within prescribed period, failing which an application may be made to a people's court for compulsory enforcement.

REGULATIONS ON FOREIGN EXCHANGE

The Regulations on the Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》), which were issued by the State Council on January 29, 1996, latest amended and became effective on August 5, 2008, classify all international payments and transfers into current account items and capital account items. 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 SAFE or its branches is obtained.

The Decisions of Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State council on October 23, 2014 canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) promulgated by the SAFE on December 26, 2014, a domestic company shall, within 15 business days from completion of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation. The proceeds of a domestic company from an overseas listing may be remitted to a domestic account or deposited overseas, and the use of the proceeds must be consistent with the content of the prospectus and other disclosure documents.

According to the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for 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》), which was promulgated by the SAFE on February 13, 2015, the administrative approval for foreign exchange registration under domestic direct investment and overseas direct investment have been cancelled. A market player involved may elect a bank at the place of its incorporation for direct investment foreign exchange registration. Upon registration, it may open an account, transfer funds and other businesses for subsequent direct investment, including inward or outward remittances of profits and bonus.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Account Items (《關於改革和規範資本項目結匯管理政策的通知》) promulgated by the SAFE on June 9, 2016, discretionary settlement of foreign exchange capital income can be handled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may adjust the above proportion in due course based on international balance of payments.

On January 26, 2017, the SAFE released the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《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》), to further expand the settlement scope for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilization, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage Renminbi and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in Renminbi and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On October 23, 2019, the SAFE released the Circular on Further Promoting 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》). Under this circular, on the basis that investing foreign-funded enterprises (including foreign-funded companies, foreign-funded venture capital enterprises and foreign-funded equity investment enterprises) may make domestic equity investments with their capital funds in accordance with laws and regulations, non-investing foreign-funded enterprises are permitted to legally make domestic equity investments with their capital funds under the premise that the existing special administrative measures (negative list) for foreign investment access are not violated and domestic investment projects are true and compliant.

Pursuant to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc. for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction. Banks shall, with the principle of prudential business development, manage and control the relevant business risks, and conduct ex post random inspection over the payment facilitation business of income under capital accounts according to the relevant requirements.

REGULATIONS ON TAXATION

Principal Taxation of Our Company In the PRC

Enterprise Income Tax

According to the of the EIT Law that was last amended and which came into effect on December 29, 2018, a resident enterprise refers to an enterprise that is established within the PRC, or which is established under the law of a foreign country (region) but whose de-facto management body is within the PRC. A resident enterprise shall pay the enterprise income tax on its income derived from both within and outside the PRC at the rate of 25%.

Pursuant to the EIT Law and its Implementation Regulations, enterprise income tax shall be exempted for income from primary processing of agricultural products. Pursuant to the Notice on Publishing the Scope of the Preliminary Processing of Farm Produce Eligible for Preferential Corporate Income Tax Policies (Trial) (《關於發佈享受企業所得稅優惠政策的農產品初加工範圍(試行)的通知》) promulgated by the MOF and the SAT on November 20, 2008, primary processing of agricultural products includes preliminary processing of fruits, such as crude juices made through cleaning out, shelling, cutting into pieces, classifying, storing up for keeping fresh and other simple processing and treatments.

Pursuant to the Announcement on Continuation of Enterprise Income Tax Policies for Large-scale Development in the Western Region (《關於延續西部大開發企業所得稅政策的公告》) promulgated by the NDRC, the MOF and the SAT on April 23, 2020, during the period from January 1, 2021 to December 31, 2030, enterprise income tax shall be levied at a reduced tax rate of 15% on enterprises established in the western region in encouraged industries.

Pursuant to the Notice on Preferential Enterprise Income Tax Policies for the Hainan Free Trade Port (《關於海南自由貿易港企業所得稅優惠政策的通知》) promulgated by the MOF and the SAT on June 23, 2020, during the period from January 1, 2020 to December 31, 2024, enterprises in encouraged industries registered in the Hainan Free Trade Port and engaging in substantive operations are entitled to enterprise income tax at a reduced tax rate of 15%. Enterprises in encouraged industries shall mean enterprises whose principal activities are industrial projects stipulated in the list of Encouraged Industries in the Hainan Free Trade Port, and whose income from their principal activities constitutes 60% or more of their total income.

Pursuant to the Announcement on Relevant Tax Policies for Further Supporting the Development of Small Low-profit Enterprises and Individually Owned Businesses (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) promulgated by the MOF and the SAT on August 2, 2023, the policy of computing taxable income amount at a reduced rate of 25% for small low-profit enterprises and paying enterprise income tax at a reduced tax rate of 20% continues to apply until 31 December 2027.

Value-added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which were promulgated by the State Council on December 13, 1993, last amended and which became effective on November 19, 2017, and the Implementing Rules for the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), which were promulgated by the MOF on December 25, 1993, last amended on October 28, 2011 and which became effective on November 1, 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay the VAT. The VAT tax rates generally applicable are 17%, 11%, 6% and 3%, and the VAT tax rate applicable to the small-scale taxpayers is 3%.

Pursuant to the Notice on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) that was promulgated by the MOF and the SAT on April 4, 2018 and which came into effect on May 1, 2018, for taxpayers engaging in taxable sales or import of goods, the previously applicable VAT rates of 17% and 11% are adjusted to 16% and 10%, respectively.

Pursuant to the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) that was promulgated by the MOF, the SAT and the General Administration of Customs of the PRC on March 20, 2019 and which came into effect on April 1, 2019, for taxpayers engaging in taxable sales or import of goods, the previously applicable VAT rates of 16% and 10% are adjusted to 13% and 9%, respectively.

Taxation on Dividends

Individual Investors

According to the IIT Law which was promulgated on September 10, 1980 and last amended on August 31, 2018 by the SCNPC, and which came into effect on 1 January 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which were last amended by the State Council on December 18, 2018 and which came into effect on January 1, 2019, dividends paid by PRC enterprises to individual investors are generally subject to a withholding tax at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by a relevant tax treaty. In addition, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《關於個人所得稅若干政策問題的通知》) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprises with foreign investment are exempted from individual income tax for the time being.

Corporate Investors

According to the EIT Law, and the Regulations for the Implementation of the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) that were last amended and which came into effect on April 23, 2019, where a non-resident enterprise has not set up any institutions or establishments in China, or it has done so, but its income generated in the PRC is irrelevant to the said institutions or establishments, it shall pay tax on the portion of its income generated in the PRC (including dividends received from a PRC resident enterprise whose shares are issued and listed in the Hong Kong Special Administrative Region) and the enterprise income rate is generally 10%. The aforesaid income tax payable by a non-resident enterprise must be withheld at source. The payer of the income is the withholding obligator. When making such payment or when such payment becomes due and payable, the withholding obligator shall withhold the income tax from the payment or the amount due and payable.

The Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was promulgated by the SAT and which came into effect on November 6, 2008, further clarifies that with regard to dividends generated after January 1, 2008, PRC resident enterprises must withhold and pay enterprise income tax at a tax rate of 10% on dividends distributed to H-share non-PRC resident enterprise shareholders. The Reply of the Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was promulgated by the SAT on July 24, 2009, further provides that any PRC resident enterprise listed on any overseas stock exchange must withhold enterprise income tax at a rate of 10% on dividends of 2008 and thereafter distributed to non-PRC resident enterprise shareholders. Such tax rates may be further changed pursuant to the tax treaty or agreement that China has concluded with a relevant jurisdiction, where applicable.

Taxes on Income from Share Transfer

Individual Investors

According to the IIT Law and its implementation regulations, individuals shall pay the individual income tax at the rate of 20% on their income from the sale of shares of PRC resident enterprises.

In accordance with the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) that was promulgated by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed companies remains exempted from individual income tax. The Circular of Issues concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) which was jointly promulgated on December 31, 2009 by the MOF, the SAT and the CSRC, provided that income from the transfer of shares of listed companies on relevant domestic stock exchanges by individuals shall continue to be exempt from income tax, except for the relevant restricted shares as defined in Supplemental Circular of Issues concerning the Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》). As of the Latest Practicable Date, the foresaid provisions don't specify whether income tax on transfer of shares of a PRC resident enterprise listed on an overseas stock exchange by non-PRC resident would be levied.

Corporate Investors

According to the EIT Law and its implementation regulations, where a non-PRC resident enterprise has not set up any institutions or establishments in China, or it has done so but its income generated in China is irrelevant to the said institutions or establishments, it shall pay tax on the portion of its income generated in China (including gains from the disposal of shares of PRC resident enterprises) and the enterprise income tax rate is generally 10%. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

REGULATIONS ON SECURITIES AND OVERSEAS LISTING

The PRC Securities Law which was latest revised on December 28, 2019 and came into effect on March 1, 2020, regulates, among other things, the issue and trading of securities, the listing of securities and takeovers of listed companies. The PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

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》) promulgated on July 6, 2021 call for the enhanced administration and supervision of overseas-listed China-based companies, propose to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarify the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC issued the Overseas Listing Trial Measures, which took effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system. According to the Overseas Listing Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. Direct overseas offering and listing by domestic companies refers to such overseas offering and listing by a joint-stock company incorporated domestically. Indirect overseas offering and listing by domestic companies refers to such overseas offering and listing by a company in the name of an overseas incorporated entity, whereas the company's major business operations are located domestically and such offering and listing is based on the underlying equity, assets, earnings or other similar rights of a domestic company.

The Overseas Listing Trial Measures provides that an overseas listing and offering is explicitly prohibited, if any of the following circumstances applies: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations or relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; or (v) where there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

On February 24, 2023, CSRC and other three relevant government authorities issued the Archives Rules, which took effect on March 31, 2023. According to the Archives Rules, a domestic company that seeks overseas offering and listing shall strictly abide by applicable PRC laws and regulations, enhance legal awareness of keeping state secrets and strengthening archives administration, institute a sound confidentiality and archives administration system, and take necessary measures to fulfill confidentiality and archives administration obligations. The "domestic company" may refer to either one of the following entities: a joint-stock company incorporated domestically that conducts direct overseas offering and listing, or a domestic operating entity of a company that conducts indirect overseas offering and listing.

REGULATIONS RELATED TO THE "FULL CIRCULATION" OF H SHARE

"Full circulation" means listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders.

On November 14, 2019, CSRC announced the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》("Guidelines for the 'Full Circulation"), which were amended in August 10, 2023. According to the Guidelines for the "Full Circulation", shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file with the CSRC for "full circulation". An unlisted domestic joint stock company may file with the CSRC for "full circulation" at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China. Pursuant to the Overseas Listing Trial Measures, which came into effect on March 31, 2023, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorize the domestic company to file with the CSRC on their behalf.

On December 31, 2019, CSDC and Shenzhen Stock Exchange (the "SZSE") jointly announced the Measures for Implementation of H-share "Full Circulation" Business (《H股"全流通"業務實施細則》) (the "Measures for Implementation"). The businesses of cross-border conversion registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. in relation to the H-share "full circulation" business, are subject to the Measures for Implementation. Where there is no provision in the Measures for Implementation, it shall be handled with reference to other business rules of the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited and SZSE.

OVERVIEW

Tracing back to 1997, we embarked on the entrepreneurial journey in the realm of freshly-made drinks. Over the years, we have been committed to providing high-quality value-for-money products to consumers, and have developed into a world-leading freshly-made drinks company.

MILESTONES

The following is a summary of our key business development milestones since the commencement of our business:

Time	Milestone
1997	Mr. Zhang Hongchao, our founder and chairman of the Board, set out to open a small store named *Coldsnap Shaved Ice* "寒流刨冰" in Zhengzhou, China.
1999	Our Chinese brand name "蜜雪冰城" (Mi Xue Bing Cheng) was officially introduced.
2005	Mr. Zhang Hongchao crafted an ice cream cone (now our *Fresh Ice Cream*) priced at only RMB1 (approximately US$0.15).
2007	Mr. Zhang Hongfu, our co-founder and chief executive officer, joined our venture.
2012	We established our first centralized factory.
2013	We introduced *Freshly-Squeezed Lemonade*, *Mixue*'s first freshly-made fruit drink.
2014	We started to build our own logistics system.
2017	We launched *Lucky Cup*, our freshly-made coffee brand.
2018	The first overseas *Mixue* store was opened in Hanoi, Vietnam.
	We introduced Snow King, *Mixue*'s iconic IP and lifelong brand ambassador.
2020	The number of our stores exceeded 10,000.
2021	Our largest production base to date started operations in Henan.
2023	We have cultivated a network of over 36,000 stores spanning China and 11 overseas countries.

OUR MAJOR SUBSIDIARIES

Set forth below are details for each of our major subsidiaries which made a material contribution to our results of operations during the Track Record Period. All of them were established in the PRC and wholly-owned by our Company.

Name of Subsidiary	Date of Establishment	Principal Business
Zhengzhou Baodao	September 28, 2010	Sales of ingredients, packaging materials and store equipment to franchisees and provision of IT services to the Group
Daka International Food	March 14, 2013	Production of ingredients and packaging materials
Snow King Smart Supply Chain Guangdong	June 22, 2018	Sales of ingredients, packaging materials and store equipment to franchisees
Shangdao Smart Supply Chain	July 5, 2018	Sales of ingredients, packaging materials and store equipment to franchisees
Snow King Smart Supply Chain Sichuan	October 23, 2020	Sales of ingredients, packaging materials and store equipment to franchisees

In June 2021, the Company increased the registered share capital of Zhengzhou Baodao from RMB20 million to RMB100 million and the registered share capital of Daka International Food from RMB50 million to RMB200 million by way of capital injection, both of which were fully settled in June 2021. There has been no other change of shareholding in any of our major subsidiaries during the Track Record Period.

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Establishment of our Company

To set up a centralized platform to manage our business, in April 2008, our Company was established in the PRC with a registered capital of RMB600,000 which was fully paid up in April 2010 and was controlled by Mr. Zhang Hongchao.

Major shareholding changes until 2019

In February 2015, the registered share capital of our Company was increased to RMB10 million, which was fully paid up by Mr. Zhang Hongchao.

In December 2016, Mr. Zhang Hongchao transferred 50% of his equity interests in our Company to Mr. Zhang Hongfu at a consideration of RMB5 million based on the registered share capital of our Company, which has been fully paid up. After the completion of the aforesaid share transfer, our Company was owned by Mr. Zhang Hongchao and Mr. Zhang Hongfu as to 50% and 50%, respectively.

In December 2017, our registered share capital was increased from RMB10 million to RMB100 million, which was fully paid up by (a) Mr. Zhang Hongchao as to RMB42.5 million, (b) Mr. Zhang Hongfu as to RMB42.5 million, (c) Mr. Shi Peng (時朋), a member of our senior management, as to RMB1 million, (d) Mr. Sun Jiantao (孫建濤), our Supervisor, as to RMB1 million, (e) a member of our then management team and currently an Independent Third Party, as to RMB1 million, the shares of which were subsequently transferred to Mr. Zhang Hongfu at a consideration of RMB1 million in January 2019, (f) a member of our then management team and currently an Independent Third Party, as to RMB1 million, the shares of which were subsequently transferred to Mr. Zhang Hongchao at a consideration of RMB1 million in October 2019, (g) Ms. Luo Jing (羅靜), a Director from November 2021 to December 2023, as to RMB0.8 million, and (h) Ms. Cai Weimiao (蔡衛淼), our executive Director and a member of our senior management, as to RMB0.2 million, respectively.

Our shareholding structure after the completion of the above increase of registered share capital and share transfers is set forth in the table below:

Name of Shareholder	Amount of Registered Share Capital	Shareholding in our Company
	(RMB in million)	*(%)*
Mr. Zhang Hongchao	48.50	48.50
Mr. Zhang Hongfu	48.50	48.50
Mr. Shi Peng	1.00	1.00
Mr. Sun Jiantao	1.00	1.00
Ms. Luo Jing	0.80	0.80
Ms. Cai Weimiao	0.20	0.20
Total	**100.00**	**100.00**

Further increase of share capital in 2020

In recognition of the contributions of our employees as well as long-term business partners, in June 2020, our registered share capital was increased from RMB100 million to RMB102.0408 million, which was fully paid up by Hainan Wandian Yingli Investment Partnership (Limited Partnership) (海南萬店盈利投資合夥企業(有限合夥)) ("Wandian Investment"), Qingchun Wuwei and Shiyu Zuxia at a consideration of RMB20 million, RMB10 million and RMB10 million, respectively.

Wandian Investment is owned by Mr. Chen Zhiqiang (陳志強) and Mr. Zhang Xiaoming (張曉明) as to 85% and 15%, respectively, both of which are Independent Third Parties who were then our external consultants. For details of Qingchun Wuwei and Shiyu Zuxia, our employee shareholding platforms, please refer to "— Employee Shareholding Platforms" below.

Our shareholding structure after the completion of the above increase of registered share capital is set forth in the table below:

Name of Shareholder	Amount of Registered Share Capital	Shareholding in our Company
	(RMB in million)	*(%)*
Mr. Zhang Hongchao	48.50	47.53
Mr. Zhang Hongfu	48.50	47.53
Wandian Investment	1.0204	1.00
Mr. Shi Peng	1.00	0.98
Mr. Sun Jiantao	1.00	0.98
Ms. Luo Jing	0.80	0.78
Qingchun Wuwei	0.5102	0.50
Shiyu Zuxia	0.5102	0.50
Ms. Cai Weimiao	0.20	0.20
Total	**102.0408**	**100.00**

Conversion into a joint stock company and subsequent change of share capital

In December 2020, our Company was converted into a joint stock company with limited liability. After the completion of the aforementioned conversion, we completed the Pre-[**REDACTED**] Investment in December 2020. For details, please refer to "— Pre-[**REDACTED**] Investment" below.

In March 2021, our Company increased the registered share capital to RMB360 million through conversion from capital reserve and the shareholdings of each shareholder remain unchanged. After the completion of the above Pre-[**REDACTED**] Investment and increase of share capital, our shareholding structure as of the Latest Practicable Date is set forth below:

Name of Shareholder	Number of Shares	Shareholding in our Company
		(%)
Mr. Zhang Hongchao	153,997,224	42.78
Mr. Zhang Hongfu	153,997,224	42.78
Longzhu Meicheng	14,400,001	4.00
Shenzhen Yunqi	14,400,001	4.00
Tianjin Panxue	7,199,999	2.00
Wandian Investment	3,239,975	0.90
Mr. Shi Peng	3,175,201	0.88
Mr. Sun Jiantao	3,175,201	0.88
Ms. Luo Jing	2,540,160	0.71
Qingchun Wuwei	1,619,987	0.45
Shiyu Zuxia	1,619,987	0.45
Ms. Cai Weimiao	635,040	0.18
Total	**360,000,000**	**100.00**

ACQUISITION, MERGER AND DISPOSAL

Throughout the Track Record Period and up to the Latest Practicable Date, we did not conduct any material acquisitions, mergers or disposals.

EMPLOYEE SHAREHOLDING PLATFORMS

In recognition of the contributions of our employees and to incentivize them to further promote our development, Qingchun Wuwei and Shiyu Zuxia were established as our employee shareholding platforms in the PRC in May 2020. As of the Latest Practicable Date, all of the awards under the two platforms have been vested, and, as a result, the grantees held the partnership interest of our employee shareholding platforms, subject to terms and conditions under the partnership agreements.

Mr. Zhang Hongchao has been the general partner of Qingchun Wuwei and Mr. Zhang Hongfu has been the general partner of Shiyu Zuxia since their establishment, respectively. As of the Latest Practicable Date, Ms. Zhao Hongguo (趙紅果), our executive Director and a member of our senior management, Mr. Qiu Yong (邱勇), a supervisor of Daka International Food, Ms. Yan Yahui (閆亞輝), a director of Snow King Smart Supply Chain Guangdong, and Ms. Jin Ruirui (晉瑞瑞), a director of Snow King Smart Supply Chain Sichuan, are limited partners of Qingchun Wuwei. Ms. Cui Haijing (崔海靜) and Ms. Yu Min (于敏), our Supervisors, are limited partners of Shiyu Zuxia. Save as disclosed above, there are no connected persons who are limited partners of Qingchun Wuwei or Shiyu Zuxia.

PRE-[REDACTED] INVESTMENT

In December 2020, Ningbo Meishan Bonded Port Area Longzhu Meicheng Equity Investment Partnership (Limited Partnership) (寧波梅山保税港區龍珠美城股權投資合夥企業(有限合夥), "Longzhu Meicheng"), Shenzhen Yunqi Investment Consulting Center (Limited Partnership) (深圳蘊祺投資諮詢中心(有限合夥), "Shenzhen Yunqi") and Tianjin Panxue Enterprise Management Partnership (Limited Partnership) (天津磐雪企業管理合夥企業(有限合夥), "Tianjin Panxue") entered into an investment agreement with the Company and our then shareholders, pursuant to which Longzhu Meicheng, Shenzhen Yunqi and Tianjin Panxue subscribed for 4,535,147 Shares, 4,535,147 Shares and 2,267,573 Shares in our Company at a consideration of RMB933,333,333, RMB933,333,333, and RMB466,666,667, respectively.

Principal Terms of the Pre-[REDACTED] Investment

The following table summarizes the principal terms of the Pre-[**REDACTED**] Investment:

Date of agreement	December 15, 2020
Amount of consideration paid	RMB2,333,333,333
Post-money valuation	RMB23,333,333,333
Basis of determination of the consideration	Arm's length negotiation between our Company and the Pre-[**REDACTED**] Investors with reference to the operational and financial performance of the Group.
Consideration payment date	January 13, 2021
Cost per Share(1)	RMB64.81
Discount to mid-point of the [REDACTED] range	[**REDACTED**]%
Use of proceeds	We utilized the proceeds from the Pre-[**REDACTED**] Investment for the growth and expansion of our Company's business and as our general working capital. As of the Latest Practicable Date, proceeds from the Pre-[**REDACTED**] Investment had been fully utilized.
Strategic benefits to our Group	At the time of the Pre-[**REDACTED**] Investment, we believed that our Group could benefit from the additional funds provided by the Pre-[**REDACTED**] Investors as well as their knowledge and experience.

Note:

(1) The cost per Share is adjusted with reference to the conversion of capital reserve to registered share capital of our Company as set out in "— Major Shareholding Changes of our Company — Conversion into a joint stock company and subsequent change of share capital" above.

Lock-up Arrangement

There are no lock-up undertakings in the investment agreement under our Pre-[**REDACTED**] Investment. Pursuant to PRC Company Law, Shares issued by our Company prior to the [**REDACTED**] (including those held by the Pre-[**REDACTED**] Investors) will be subject to a lock-up period of one year from the [**REDACTED**].

Special Rights of the Pre-[REDACTED] Investors

The Pre-[**REDACTED**] investors were granted certain special rights including, but not limited to information rights, inspection rights, pre-emptive rights and anti-dilution rights. All special rights have been terminated prior to the first filing of the [**REDACTED**] by our Company with the Stock Exchange.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-[**REDACTED**] Investment was settled more than 28 clear days before the first filing of the [**REDACTED**] by our Company with the Stock Exchange, and (ii) the termination of special rights granted to the Pre-[**REDACTED**] Investors as disclosed in "Special Rights of the Pre-[**REDACTED**] Investors" above, the Joint Sponsors confirm that the investments by the Pre-[**REDACTED**] Investors are in compliance with the Pre-[**REDACTED**] Investment Guidance issued by the Stock Exchange effective from January 1, 2024.

Information of the Pre-[REDACTED] Investors

Set forth below are details for each of our Pre-[**REDACTED**] Investors. To the best of knowledge of our Company, all Pre-[**REDACTED**] Investors are Independent Third Parties.

Longzhu Meicheng

Longzhu Meicheng is a limited partnership established in the PRC on November 13, 2020. Longzhu Meicheng is owned as to (i) approximately 99.999% by its limited partner, Shenzhen Longzhu 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 Longzhu"), which has more than 100 beneficial owners who are individual investors and institutions, and (ii) approximately 0.001% by its general partner, Ningbo Meishan Bonded Port Area Xuezhu Enterprise Management Co., Ltd. (寧波梅山保稅港區雪珠企業管理有限公司) ("Ningbo Xuezhu"). Shenzhen Longzhu is an affiliated entity of Long-Z Investments (龍珠投資), a private investment fund focusing on consumer and technology sectors. Ningbo Xuezhu is wholly-owned by Ningbo Meishan Bonded Port Area Meixing Private Fund Management Co., Ltd. (寧波梅山保稅港區美興私募基金管理有限公司), which is controlled by an Independent Third Party.

Shenzhen Yunqi

Shenzhen Yunqi is a limited partnership established in the PRC on September 19, 2019, and its limited partner is Zhuhai Lingxue Enterprise Management Consultation Partnership (Limited Partnership) (珠海瓴雪企業管理諮詢合夥企業(有限合夥)), which are invested by over 100 ultimate limited partners on a very decentralized base. The general partner of Shenzhen Yunqi is Shenzhen Gao Ling Tiancheng III Investment Co., Ltd. (深圳高瓴天成三期投資有限公司), which is ultimately controlled by Independent Third Parties.

Tianjin Panxue

Tianjin Panxue is a limited partnership established in the PRC on November 25, 2020 focusing on investment in consumer sector. Tianjin Panxue is owned as to (i) approximately 57.13% by its limited partner, Xiamen Yuanfeng Equity Investment Fund Partnership (Limited Partnership) (廈門源峰股權投資基金合夥企業(有限合夥)) ("Xiamen Yuanfeng"), (ii) approximately 42.85% by its limited partner, Panmao (Shanghai) Investment Center (Limited Partnership) (磐茂(上海)投資中心(有限合夥)) ("Shanghai Panmao"), and (iii) approximately 0.02% by its general partner, Shanghai Pannuo Enterprise Management Service Co., Ltd. (上海磐諾企業管理服務有限公司) ("Shanghai Pannuo"). Xiamen Yuanfeng and Shanghai Panmao are owned by more than 100 beneficial owners who are individual investors and institutions. Shanghai Pannuo is wholly-owned by CITIC Private Equity Funds Management Co., Ltd. (中信產業投資基金管理有限公司), which is controlled by CITIC Securities Company Limited (中信證券股份有限公司), whose shares are listed on the Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 6030).

LISTING ATTEMPT

We submitted our A share listing application to the CSRC in September 2022, which was subsequently lapsed. Our Directors confirm that, to their best knowledge, there are no other material matters relating to the A share listing attempt which are relevant to the [**REDACTED**] and are necessary to be disclosed in this document for [**REDACTED**] to form an informed assessment of our Company.

CONCERT PARTY AGREEMENT

In September 2022, Mr. Zhang Hongchao and Mr. Zhang Hongfu entered into a concert party agreement, pursuant to which they acknowledged their relationship of acting in concert in the board meetings and general meetings of the Company. It is further agreed that such acting in concert relationship will continue following the [**REDACTED**] of the Company.

CAPITALIZATION

Our Company [has applied] for H-share full circulation to convert certain Unlisted Shares into H Shares after the [**REDACTED**]. The conversion of Unlisted Shares into H Shares will involve an aggregate of [**REDACTED**] Unlisted Shares, representing approximately [**REDACTED**]% of total issued share capital of the Company as of the Latest Practicable Date. The table below is a summary of the capitalization of our Company upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) and the conversion of Unlisted Shares into H Shares:

Name of Shareholder	Number of Unlisted Shares held	Number of H Shares held	Number of Shares held in total	Shareholding in the Company
				(%)
Mr. Zhang Hongchao	[**REDACTED**]	[**REDACTED**]	153,997,224	[**REDACTED**]
Mr. Zhang Hongfu	[**REDACTED**]	[**REDACTED**]	153,997,224	[**REDACTED**]
Longzhu Meicheng	[**REDACTED**]	[**REDACTED**]	14,400,001	[**REDACTED**]
Shenzhen Yunqi	[**REDACTED**]	[**REDACTED**]	14,400,001	[**REDACTED**]
Tianjin Panxue	[**REDACTED**]	[**REDACTED**]	7,199,999	[**REDACTED**]
Wandian Investment	[**REDACTED**]	[**REDACTED**]	3,239,975	[**REDACTED**]
Mr. Shi Peng	[**REDACTED**]	[**REDACTED**]	3,175,201	[**REDACTED**]
Mr. Sun Jiantao	[**REDACTED**]	[**REDACTED**]	3,175,201	[**REDACTED**]
Ms. Luo Jing	[**REDACTED**]	[**REDACTED**]	2,540,160	[**REDACTED**]
Qingchun Wuwei	[**REDACTED**]	[**REDACTED**]	1,619,987	[**REDACTED**]
Shiyu Zuxia	[**REDACTED**]	[**REDACTED**]	1,619,987	[**REDACTED**]
Ms. Cai Weimiao	[**REDACTED**]	[**REDACTED**]	635,040	[**REDACTED**]
Other public shareholders	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	**100.00**

PUBLIC FLOAT

Following the conversion of the Unlisted Shares into H Shares and upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised):

(a) (i) Mr. Zhang Hongchao, Mr. Zhang Hongfu, Qingchun Wuwei, Shiyu Zuxia, our Controlling Shareholders, (ii) Mr. Sun Jiantao, our Supervisor, and (iii) Ms. Cai Weimiao, our executive Director, will be deemed as our core connected persons and a total of 315,044,663 Shares held by them will not be counted towards the public float, representing [**REDACTED**]% of our share capital in aggregate;

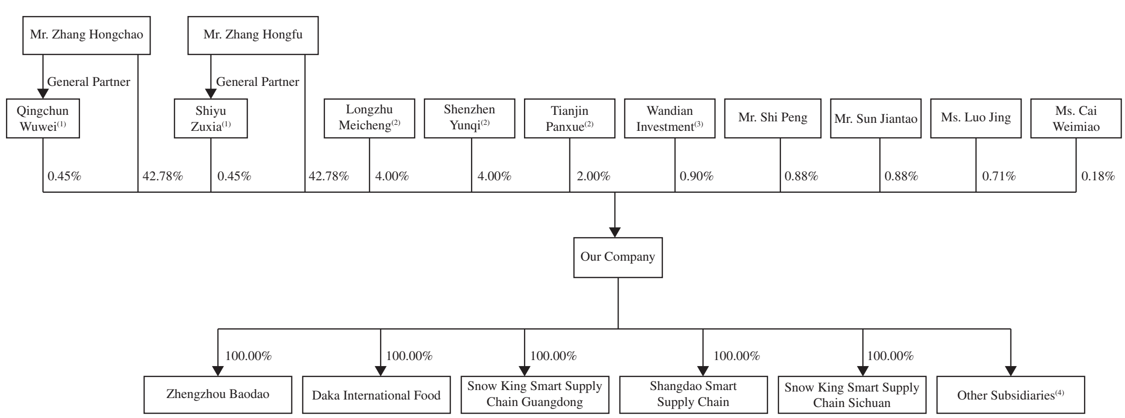
(b) a total of [**REDACTED**] Unlisted Shares held by Longzhu Meicheng, Shenzhen Yunqi, Tianjin Panxue, Mr. Shi Peng and Ms. Luo Jing will not be converted into H Shares and [**REDACTED**] on the Stock Exchange, and therefore will not be counted as part of the public float, representing [**REDACTED**]% of our share capital in aggregate; and

(c) a total of [**REDACTED**] Unlisted Shares held by Longzhu Meicheng, Shenzhen Yunqi, Tianjin Panxue, Wandian Investment, Mr. Shi Peng and Ms. Luo Jing will be converted into H Shares and [**REDACTED**] on the Stock Exchange, and therefore will be counted as part of the public float, representing [**REDACTED**]% of our share capital in aggregate. None of Longzhu Meicheng, Shenzhen Yunqi, Tianjin Panxue, Wandian Investment, Mr. Shi Peng or Ms. Luo Jing are accustomed to take instructions from any core connected persons in relation to the acquisition, disposal, voting or other disposition of their Shares and none of their acquisition of the Shares were financed directly or indirectly by our core connected persons.

[**REDACTED**]

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE COMPLETION OF THE [REDACTED]

The following chart sets forth our Group's simplified shareholding and corporate structure immediately prior to the completion of the [**REDACTED**]:



Notes:

(1) Please see "— Employee Shareholding Platforms" in this section for details.

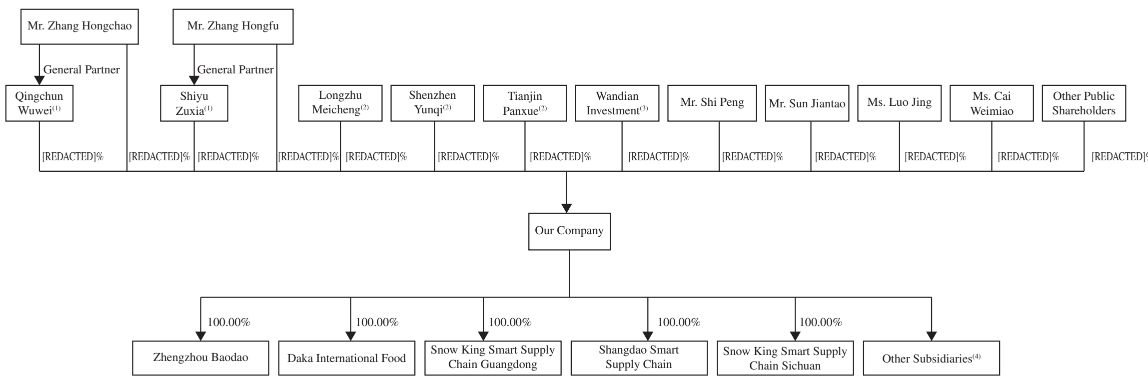
(2) Please see "— Pre-[**REDACTED**] Investment — Information of the Pre-[**REDACTED**] Investors" in this section for details.

(3) Please see "— Major Shareholding Changes of our Company — Further increase of share capital in 2020" in this section for details.

(4) Including other 41 subsidiaries which are wholly-owned by our Company or non-wholly-owned by our Company and Independent Third Parties.

SHAREHOLDING AND CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE [REDACTED]

The following chart sets forth our Group's simplified shareholding and corporate structure immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Note: For notes (1) to (4), please see "- Shareholding and Corporate Structure Immediately Prior to the Completion of the [**REDACTED**]" in this section. For the Unlisted Shares and H Shares held by each of the Shareholders, please see "– Capitalization" in this section.

OUR MISSION

Make our brands stronger, our partners more successful, and enable everyone around the world to enjoy high-quality delicious products with value for money.

OUR VISION

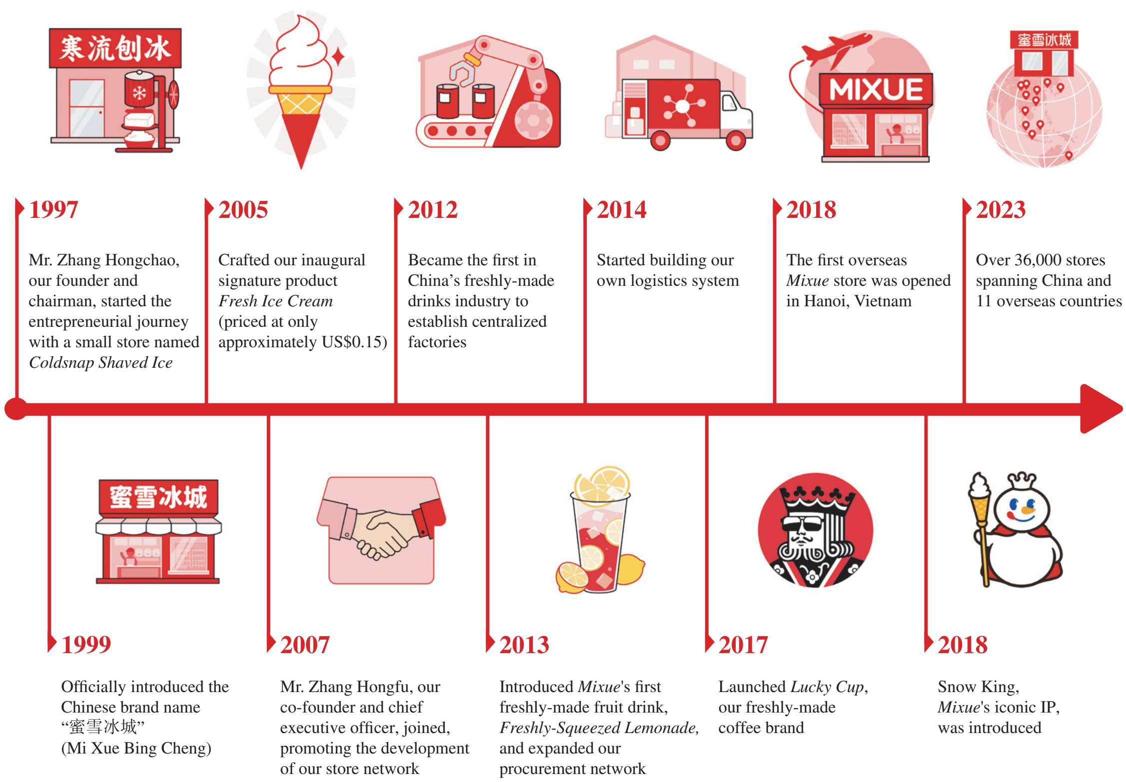
Stay simple, stay focused, build respectable brands lasting for centuries.

OUR CORE VALUES

Sincere people, genuine hearts, and authentic products; take the right path and uphold integrity.

OVERVIEW

We are a world-leading freshly-made drinks company. We are committed to providing high-quality value-for-money (高質平價) products to consumers, including freshly-made fruit drinks, tea drinks, ice cream and coffee, typically priced around one U.S. dollar (approximately RMB6) per item. We have two major brands – freshly-made tea drinks brand *Mixue* and freshly-made coffee brand *Lucky Cup*. Through a franchise model, we have cultivated a network of over 36,000 stores spanning China and 11 overseas countries as of September 30, 2023. During the nine months ended September 30, 2023, approximately 5.8 billion cups of drinks were sold through our store network. We are China's largest, and the world's second largest freshly-made drinks company, in terms of both number of stores as of September 30, 2023, and number of cups sold during the nine months ended September 30, 2023, according to CIC.



In 1997, Mr. Zhang Hongchao, our founder and chairman of the Board, set out to open a small store named *Coldsnap Shaved Ice* "寒流刨冰" in Zhengzhou, China. With a homemade shaved ice machine, Mr. Zhang Hongchao embarked on the entrepreneurial journey in the realm of freshly-made drinks. In 1999, the Chinese brand name "蜜雪冰城" (Mi Xue Bing Cheng) was officially introduced – a name that signifies blissful sweetness and refreshing coolness.

In 2005, Mr. Zhang Hongchao crafted an ice cream cone (now our *Fresh Ice Cream*) through continuous experiments and refinements, using ingredients including milk, eggs, corn flour and sugar while priced at only RMB1 (approximately US$0.15). This *Fresh Ice Cream* was an instant hit and became our inaugural signature product. In 2007, *Mixue*'s first *Fresh Ice Cream* specialty store was opened. Over time, with ingredient upgrades and recipe refinements, *Fresh Ice Cream*, now priced at only RMB2 (approximately US$0.30), continues to captivate consumers. During the nine months ended September 30, 2023, approximately 442 million cups of *Fresh Ice Cream* were sold through our store network in China, solidifying its position as one of the best-selling items in China's freshly-made drinks industry. The success of *Fresh Ice Cream* is a living testament to our commitment to offering high-quality products with value for money for over 20 years.

In 2007, Mr. Zhang Hongfu, our co-founder and chief executive officer, joined our venture. Leveraging his successful first-hand experience in operating stores, Mr. Zhang Hongfu formulated a standardized system for store operations and management, which we subsequently rolled out through a franchise model. As we promoted and enhanced our franchise business model, Mr. Zhang Hongfu continued to hone core capabilities that are crucial to such model, covering brand building, store operations, marketing, and product management. Similar to our franchisees who are themselves entrepreneurs building a business from the ground up and standing at the forefront of store operations, Mr. Zhang Hongchao and Mr. Zhang Hongfu empathize profoundly with our franchisees, and adhere to the alignment of interests with them. This empathy enables us to continuously expand our franchise network, achieve an unparalleled scale of store network, and deliver a consistently compelling consumer experience. As of September 30, 2023, we had over 16,000 franchisees. According to the CIC Survey, approximately 98% of surveyed franchisees acknowledge our commitment to an interest-aligned, mutually beneficial relationship that caters to their needs. Additionally, more than 92% of surveyed franchisees would recommend our franchise opportunity to their friends and relatives.

In 2012, we became the first in China's freshly-made drinks industry to establish centralized factories. With the rapid growth of our business, we decided to venture upstream into production to ensure the quality and stability of ingredients supply while achieving cost optimization and efficiency improvement. Through over ten years of efforts, we have built five production bases occupying a total of 0.67 million square meters, covering a full range of ingredients including products of syrups, milk, tea, coffee, fruit, grains and condiments ("糖、奶、茶、咖、果、糧、料"). Our total annual production capacity reached approximately 1.43 million tons, and we possessed 84 patents as of September 30, 2023. *Mixue* is one of the very few brands in China's freshly-made drinks industry from which franchisees procure 100% of their ingredients, packaging materials and store equipment. Approximately 60% of the ingredients we provide to franchisees are self-produced, the highest in China's freshly-made drinks industry according to CIC, with the core ingredients being 100% self-produced.

In 2013, with the introduction of *Freshly-Squeezed Lemonade*, *Mixue*'s first freshly-made fruit drink, we extended our procurement network upstream to cover agricultural products. During the nine months ended September 30, 2023, approximately 913 million cups of *Freshly-Squeezed Lemonade* were sold through our store network domestically, which has become the best-selling item in China's freshly-made drinks industry. Over the years, we have continuously enhanced our global procurement network to access premium resources, while establishing collaborative planting bases to ensure direct and stable supply of agricultural products. For example, we are the largest lemon purchaser in China in terms of purchase volume in the nine months ended September 30, 2023, according to CIC. In the nine months ended September 30, 2023, our collaborative planting base located in Anyue, Sichuan, provided approximately 44,000 tons of lemons to us.

In 2014, we started building our own logistics system and became the first in China's freshly-made drinks industry to offer nationwide free logistics services to our franchisees, supporting their store expansion across China without potential constraints related to long-haul logistics expenses. Through nearly ten years of development, our self-operated warehouse system and dedicated delivery network now support the most extensive store network in the industry. As of September 30, 2023, our delivery network covered 31 provinces, autonomous regions and municipalities, including nearly 300 cities, 1,700 counties and 3,100 towns in China. As of September 30, 2023, we were capable of reaching over 90% of the county-level regions in China within 12 hours.

Through a series of measures including establishing our global procurement network, production bases and logistics system, we have built the largest and most comprehensive end-to-end supply chain in China's freshly-made drinks industry, encompassing essential aspects covering procurement, production, logistics, R&D and quality control. This expansive and highly efficient supply chain is the bedrock of our ability to offer high-quality products with value for money, supporting our expansion across geographies and product categories.

In 2017, we launched *Lucky Cup*, our freshly-made coffee brand. Sharing the same mission as *Mixue*, *Lucky Cup* remains steadfast in providing high-quality freshly-made coffee with value for money to everyone. With a network of approximately 2,900 stores, *Lucky Cup* ranks as the 4th largest freshly-made coffee brand in China in terms of number of stores as of September 30, 2023, according to CIC.

In 2018, the first overseas *Mixue* store was opened in Hanoi, Vietnam. We aspire to bring the sweetness and love embodied in our high-quality freshly-made drinks with value for money to overseas consumers. As of September 30, 2023, we had approximately 4,000 stores in 11 overseas countries. *Mixue* is the largest freshly-made tea drinks brand in Southeast Asia in terms of number of stores as of September 30, 2023, according to CIC.

With over 20 years of efforts and accumulations, *Mixue* has become a household brand. To humanize our brand and elevate it to new heights, we introduced Snow King "雪王", *Mixue*'s iconic IP and lifelong brand ambassador in 2018, with a vibrant matrix of audio and video content. Today, Snow King stands out as an iconic cultural symbol that extends beyond the realm of drinks and becomes an integral part of our consumers' daily lives. Across different countries and diverse cultural background globally, Snow King has gathered a vast and loyal fanbase. As of the Latest Practicable Date, the hashtags for Snow King and *Mixue* theme song had garnered more than 8.7 billion and 8.4 billion views across major social platforms, respectively. As of September 30, 2023, *Mixue* had approximately 215 million registered members, with approximately 38 million monthly active members in September 2023.

Our founders and management team have always adhered to the long-term perspective, carrying a strong sense of social responsibility and implementing sustainable development strategies. With Mr. Zhang Hongchao as chairman and Mr. Zhang Hongfu as vice chairman of our dedicated ESG Committee, we are committed to being a socially and environmentally responsible company, creating job opportunities, empowering farmers, promoting green development and advocating for social welfare. In 2022, we created or supported approximately 500,000 job opportunities. As of the Latest Practicable Date, approximately 35% of our franchisees, and 68% of store employees were female. In 2022, our agricultural procurement initiatives helped improve the livelihoods of approximately 110,000 farming households nationwide, and our efforts in green packaging upgrades led to a substantial reduction in the consumption of PE plastics by over 3,600 tons. We have also entered into a long-term industry-academia-research partnership with Jiangnan University and provided support to Westlake University in advancing R&D on biodegradable plastics.

In 2022 and the nine months ended September 30, 2023, GMV generated through our store network amounted to approximately RMB30.0 billion and RMB37.0 billion, respectively, which makes us the largest freshly-made drinks company in China, according to CIC. We achieved strong financial performance throughout the Track Record Period, with robust growth, high profitability and ample cash flows on top of a large scale. In 2022 and the nine months ended September 30, 2023, we recorded revenue of RMB13.6 billion and RMB15.4 billion, respectively, representing year-over-year growth of 31.2% and 46.0%. Our net profit amounted to RMB2.0 billion and RMB2.5 billion in 2022 and the nine months ended September 30, 2023, respectively, growing by 5.3% and 51.1% year-over-year. We have consistently generated net cash flows from operating activities, which totaled RMB1.7 billion, RMB2.4 billion and RMB3.1 billion in 2021, 2022 and the nine months ended September 30, 2023, respectively.

OUR COMPETITIVE STRENGTHS

China's largest and the world's second largest freshly-made drinks company

We are China's largest, and the world's second largest freshly-made drinks company, in terms of both number of stores as of September 30, 2023 and number of cups sold during the nine months ended September 30, 2023, according to CIC. Our store network spans over 36,000 stores across 31 provinces, autonomous regions and municipalities in China, and 11 overseas countries. We are the only company in China's freshly-made drinks industry with a network of more than 30,000 stores, consistently ranking the 1st in terms of number of stores for consecutive five years from 2018 to 2022. With over 29,000 stores, our brand *Mixue* is China's largest freshly-made tea drinks brand in terms of number of stores as of September 30, 2023, according to CIC. The number of *Mixue* stores is close to the aggregate number of stores of the industry's second to fifth largest players. As of September 30, 2023, our freshly-made coffee brand *Lucky Cup* had a network of approximately 2,900 stores, which stands out as the 4th largest freshly-made coffee brand in China. Internationally, we have opened approximately 4,000 *Mixue* stores, quickly emerging as the largest freshly-made tea drinks brand in Southeast Asia in terms of number of stores as of September 30, 2023. During the nine months ended September 30, 2023, approximately 5.8 billion cups of drinks were sold through our store network.

The freshly-made drinks market has tremendous growth potential. China's freshly-made drinks market is projected to grow at a CAGR of 18.7% from 2022 to 2028 to reach RMB1.2 trillion in 2028. Within this market, mass-market freshly-made drinks (with price per item not higher than RMB10) not only address growing consumer demands for value-for-money products, but also offer fresher products and superior consumer experience compared to other mass-market drinks products in the similar price range. Consequently, mass-market freshly-made drinks segment exhibits the highest growth rate among all segments by price range within China's freshly-made drinks market, growing at a CAGR of 24.0% from 2022 to 2028. Compared to higher-priced alternatives, excelling in the mass-market freshly-made drinks segment calls for more in a company's supply chain breadth and depth and brand reputation. Therefore, leading mass-market freshly-made drinks companies have not only enjoyed competitive advantages that can be amplified over time, but also erected substantial entry barriers. On the global front, the freshly-made drinks market is projected to reach US$1.1 trillion in 2028, within which Southeast Asia is projected to reach US$49.4 billion, with the highest CAGR of 20.3% from 2022 to 2028 among major markets globally. Through over 20 years of unwavering efforts and quests, we have over time amassed hard-to-replicate know-how in establishing an expansive and highly efficient supply chain infrastructure, building a household brand, and managing an extensive franchised store network. With our industry leadership and strong all-round capabilities, we believe we are able to capture the trends of the global freshly-made drinks market, and continue to achieve our scalable and sustainable growth.

Highly-digitalized end-to-end supply chain pivotal to high-quality products with value for money

We are dedicated to offering high-quality value-for-money freshly-made drinks typically priced around one U.S. dollar (approximately RMB6). The key to achieve and maintain this value proposition is to build a supply chain that optimizes the combination of cost, quality and services. As the first company to establish centralized factories, we currently operate the largest and most comprehensive end-to-end supply chain in China's freshly-made drinks industry, encompassing essential aspects covering procurement, production, logistics, R&D and quality control. We deploy digital tools to build a stable, efficient supply chain that integrates front-end store expansion planning and back-end supply chain infrastructure building, front-end product sales planning and back-end procurement planning, and front-end application R&D and back-end fundamental R&D. By achieving unparalleled value for money through our comprehensive supply chain, we are capable of providing our franchisees with a competitive one-stop solution. *Mixue* is one of the very few brands in China's freshly-made drinks industry from which franchisees procure 100% of their ingredients, packaging materials and store equipment. Approximately 60% of the ingredients we provide to franchisees are self-produced, the highest in China's freshly-made drinks industry according to CIC, with the core ingredients being 100% self-produced.

Procurement

Through an extensive global procurement network spanning 35 countries across six continents, we gain access to premium raw materials resources, and utilize digital tools to ensure the quality and stability of supply. Our raw materials procurement primarily comprises food commodities, agricultural products and other auxiliary materials. For instance, milk powder from New Zealand, cocoa powder from Ghana, and cheese powder from Denmark contribute to the rich taste. Lemons harvested in Anyue, China, passion fruits from Vietnam, and red grapes from Spain offer a diverse range of flavors. Coffee beans from countries including Ethiopia, Colombia, Brazil, and Indonesia form unique blends. Our procurement scale is also leading the freshly-made drinks industry in China. In 2022, we procured approximately 50,000 tons of lemons, 26,000 tons of oranges, 21,000 tons of milk powder, 9,000 tons of tea, and 5,000 tons of green coffee beans. With our global procurement network extended to the origins of raw materials, and our industry-leading procurement scale, we are able to secure many core raw materials at prices below the industry average. For example, our procurement costs for milk powder and lemons of the same type and quality were approximately 10% and over 20% lower than our peers on average in 2022, respectively, according to CIC. Our advantage in procurement costs enables us to attract consumers and franchisees by offering products with greater value for money. Consequently, the growth of our consumer base and store network propels the expansion of our procurement network and scale, creating a positive feedback loop.

Production

As of September 30, 2023, our production encompasses the most comprehensive product portfolio at the largest scale in the supply chain of China's freshly-made drinks industry, according to CIC, and we have achieved advanced digitalization and intelligized operations throughout our production process. Through our in-house R&D and production capabilities, we offer a one-stop ingredients solution with full categories including products of syrups, milk, tea, coffee, fruit, grains and condiments. We have five production bases in Henan, Hainan, Guangxi, Chongqing and Anhui, occupying a total of 0.67 million square meters and having a total annual production capacity of approximately 1.43 million tons. In particular, during the Track Record Period, we had consistently been a leader in supplying China's freshly-made drinks industry in terms of the sales of core ingredients, such as ice cream powder and syrups, according to CIC. Our approach to production is to leverage the profound strengths of China manufacturing capabilities, and incorporate world-leading standards in factory construction and production management. We have built state-of-the-art smart factories housing over 50 intelligent production lines, all equipped with advanced automation equipment and digital tools, including ABB's robots and associated automation equipment, Probat's coffee roasters, and Tetra Pak's aseptic high-speed carton filling machines. During the nine months ended September 30, 2023, our ingredient production maintained a depletion rate of 0.86%, which was significantly below the industry average according to CIC. We usually make the decision to produce specific ingredients in-house to enhance quality and cost efficiency when demand for these ingredients reaches a critical mass and we possess the necessary R&D and production expertise. We also self-produce certain essential packaging materials and store equipment. For example, we produce packaging bottles for syrups using in-house blow molding, which resulted in substantial cost savings of approximately 49% compared to external procurements during the nine months ended September 30, 2023. These cost advantages, enabled by our extensive scale and our sophisticated and intelligent production management, make it difficult for other companies within our industry to replicate and achieve the same level of both high quality and value for money for core ingredients.

Logistics

Our self-operated warehouse system and dedicated delivery network are able to support the most extensive store network in China's freshly-made drinks industry. By deeply integrating the nationwide warehouse system and local delivery services, we have established an effective, digitalized logistics system connecting our factories with our vast store network. In 2014, we became the first in China's freshly-made drinks industry to build self-operated warehouse system. As of September 30, 2023, our warehouse system, which is the largest in the industry, comprised 26 warehouses nationwide, totaling over 300,000 square meters. Our delivery network has the broadest geographical coverage and the deepest penetration in lower-tier markets in the industry, spanning 31 provinces, autonomous regions and municipalities, nearly 300 cities, 1,700 counties and 3,100 towns across China. By effectively integrating DMS, OMS, WMS, TMS and BMS into our logistics system, we are able to precisely manage each end-of-line delivery through digital tools, which makes us one of the very few players in our industry capable of synchronizing goods flow, information flow, fund flow and logistics flow. As such, we have gained a competitive edge in managing logistics costs and efficiency, while consistently exceeding industry average in delivery time and quality. As of September 30, 2023, we were capable of reaching over 90% of the county-level regions in China within 12 hours, and our cold chain logistics covered more than 90% of our store network in China.

R&D

Our R&D efforts are focused on application R&D for product taste and recipes, as well as fundamental R&D for ingredient-related technologies, production techniques, recipes and equipment. Our key R&D strengths lie in the seamless integration of both application and fundamental R&D, and synergetic R&D capabilities covering our seven ingredient categories, including products of syrups, milk, tea, coffee, fruit, grains and condiments. Therefore, we not only have the industry-leading research capabilities for core ingredients but also have the ability to continuously offer high-quality value-for-money products.

– On the application R&D front, based on deep insights into mass consumers' daily demands, our professional R&D team excels not only in developing classic products but also in introducing seasonal and regional products continuously. Currently, our product portfolio features a variety of classic drinks. During the nine months ended September 30, 2023, approximately 913 million cups of *Freshly-Squeezed Lemonade*, 442 million cups of *Fresh Ice Cream*, and 326 million cups of *Bubble Tea*, three of our top classic drinks, were sold through our store network in China, solidifying their positions as the top three best-selling items in China's freshly-made drinks industry, according to CIC. Our seasonal and regional product launches also gain tremendous popularity among consumers. For example, approximately 33 million cups of *Bestie Berries* were sold through our store network in China in its first month of introduction in 2023.

– On the fundamental R&D front, we spearheaded China's freshly-made drinks industry with multiple technological breakthroughs. For example, we are among the first-movers in our industry to introduce a rapid-cooking technique for tapioca balls, which is able to nearly double their in-store preparation efficiency. Through our proprietary innovative techniques, we have self-developed and self-produced premium trans-free dairy-based powder, securing stable supplies while reducing costs by approximately RMB48 million during the nine months ended September 30, 2023. We employ the proprietary spray drying method for ice cream powder production, which results in improved ice cream quality and elevated consumer experience. Additionally, we provide franchisees with a selection of high-quality store equipment with value for money that is developed and produced by ourselves. In particular, we are the only industry player providing our franchisees with self-developed and self-produced semi-automatic coffee machines.

Quality Control

We maintain a supply chain quality control team consisting of approximately 250 employees, and we have built a robust quality control system, ensuring consistently high-quality outputs along the supply chain. In procurement, we have formulated a complete set of supplier management policies, including supplier grading and goods acceptance management policies. These policies help ensure the raw materials provided by suppliers meet our stringent food safety and quality standards. In production, we have implemented a rigorous and scientific quality management system certified under ISO9001, ISO22000, FSSC22000 and HACCP. To ensure quality, we utilize 165 inspection indicators and over 140 sets of imported inspection equipment. Our production has achieved a 99.99% pass rate. In logistics, we enforce strict process management and control for stock-in, storage, stock-out and delivery, minimizing losses and eliminating food safety risks. During the nine months ended September 30, 2023, we achieved an intact delivery rate exceeding 99.99%.

Household brand *Mixue*, Iconic IP Snow King

Our value proposition of offering high-quality value-for-money products and our brand culture centered around sweetness and love have enabled us to capture consumers' mind-shares. Today, *Mixue* has become a household brand. According to the CIC Survey, 93.0% of the surveyed consumers recognize *Mixue*. Additionally, *Mixue* is the first choice for and synonymous with freshly-made drinks in general, as well as high-quality value-for-money freshly-made drinks in particular.

To humanize our *Mixue* brand and deepen our emotional connection with consumers, we introduced our IP, Snow King, in 2018. Snow King quickly became the sole iconic IP in China's freshly-made drinks industry, setting our brand apart from other brands in the industry. Centered around this endearing cartoon character, who holds an ice cream scepter, we curate a variety of high-quality auditory and visual content that is fun and engaging, including our theme song, short videos and animations. Such content not only nurtures a community of consumers and fans who are emotionally connected, vibrant, and have a strong sense of belonging, but also inspires them to share and re-create content. As of the Latest Practicable Date, the hashtags for Snow King and *Mixue* theme song, "I Love You, You Love Me, Mixue Ice Cream & Tea", had garnered more than 8.7 billion and 8.4 billion views across major social platforms, respectively. Additionally, content re-created by users on Bilibili reached over 163 million views. Our animated TV series starring Snow King, "The Legend of Snow King", amassed over 200 million views since its debut in August 2023. In Vietnam, social media topics about the Snow King Children's Day painting event in 2023 received more than 66 million views. Today, Snow King extends beyond the realm of drinks, transforming into a cross-regional cultural symbol deeply integrated into our consumers' daily lives.

We have established a comprehensive online and offline branding and marketing matrix to accelerate brand building:

– Online, we leverage social media and creative content to promote Snow King IP-related marketing, resulting in widespread content. As of the Latest Practicable Date, the hashtag #*Mixue* had garnered over 29.1 billion views on Douyin.

– Offline, we deeply connect with our vast consumer base through our expansive network of over 36,000 stores. We periodically organize Snow King parades, and host music festivals and other activities centered around Snow King, fostering a closer bond with our consumers. Our offline marketing initiatives also include inviting consumers to our production base in Henan, a National 4A Industrial Tourist Attraction, where they gain immersive experience about our production process in an open and transparent environment.

– In our online-offline integrated marketing efforts, we executed a "Tanned Snow King" marketing campaign in June 2022. During this campaign, Snow King images, both online and offline, adopted a tanned appearance to promote our new mulberry series products. This campaign resulted in the sale of approximately 22 million cups within the first month of launch. Additionally, in our *Mixue*'s May 20 Couple's Day campaign in 2023, we conducted various online and offline marketing events, resulting in a total online exposure of approximately 560 million times. On May 20, 2023, the GMV generated through our *Mixue* store network in China increased by 11.3% compared to the same day in the previous week.

The internet traffic generated by our iconic Snow King, widespread store network and robust marketing matrix have significantly enhanced our marketing efficiency. In the nine months ended September 30, 2023, our branding and promotion expenses represented 1.2% of our revenue.

By upholding our value proposition of offering high-quality value-for-money products, leveraging Snow King as our brand ambassador, and continuously promoting an uplifting brand culture, *Mixue* has emerged as a household brand in China with a vast consumer and fan base. As of September 30, 2023, *Mixue* has garnered approximately 215 million registered members, with approximately 38 million monthly active members in September 2023. As of the Latest Practicable Date, *Mixue* had a total of approximately 43 million followers across six major social platforms, including Weixin, Douyin, Kuaishou, Xiaohongshu, Weibo and Bilibili, which represents the largest base of followers in the freshly-made drinks industry in China.

Interest-aligned franchise model and highly-digitalized operational system leading to a healthy franchised store network

We believe our interest-aligned franchise model drives our franchisees' decision to partner with us. To align interests with our franchisees, we have systematically devised a range of policies and measures:

– The initial investment and franchise fee for our stores are below the average within China's freshly-made drinks industry. In terms of our revenue model, franchise and related service fees are not our primary sources of revenue. Throughout the Track Record Period, only 2% of our revenue was generated from franchise and related services.

– Our expansive and highly efficient supply chain provides franchisees with a competitive one-stop solution, improving their profitability and elevating consumer experience.

– We are the only company within China's freshly-made drinks industry to offer complimentary logistics services, store design services, and promotional materials altogether.

– We steadfastly stand by and support our franchisees during challenging times. In early 2022, to better support the franchisees during the COVID-19 pandemic, we announced the waiver of one-year franchise fees for all existing *Mixue* franchisees in China by the end of 2021. Subsequently during the same year, we lowered prices for 69 store supplies and equipment items sold to our franchisees, with an average price reduction of 15%. In August 2023, we reduced franchise and related service fees for *Mixue* stores impacted by Typhoon Doksuri.

Our interest-aligned cooperation with franchisees is also demonstrated by our standardized management, and continuous support and empowerment of franchisees through highly-digitalized operational system to enhance their operational efficiency:

– We implement standardized management over site selection, store format, store operations and marketing. With respect to site selection, we capitalize on our expertise accumulated over time, and complement it with digitalized analysis, to maintain a consistently high level of site selection success. We have designed multiple standard store formats, each subject to a unified set of size and design standards to optimize cost efficiency. Through standardized product preparation and store operational protocols, we ensure that our franchisees provide high-quality products and satisfactory consumer experience. Our standardized marketing approach coordinates brand management and marketing campaign plans, boosting store sales while controlling marketing costs. We standardize store operations through post-opening supervision and regular check-ins, and serve as an advisor to our franchisees on continued business operations.

– We provide centralized pre-opening trainings to franchisees and their store employees in our dedicated offline training center for 12 days, thereby ensuring smooth store openings. Additionally, franchisees and their employees can also access our *Mixue Academy* ("蜜學堂") app for online training programs. For the nine months ended September 30, 2023, our franchisees and store employees have participated in our offline training sessions over 170,000 times cumulatively. Throughout the Track Record Period, our training programs covered 100% of new franchised stores and franchise renewals for our *Mixue* brand.

– We empower franchisees through our smart store solutions to enhance their operational efficiency. For example, we utilize digital tools to streamline and digitize their operations, and effectively manage their store-level inventory.

Under the philosophy of aligning interests with franchisees, we have together achieved an unparalleled store scale and built a healthy and sustainable franchise model. As of September 30, 2023, we had over 16,000 franchisees, and we have also earned an excellent reputation among our franchisees. According to the CIC Survey, approximately 98% of surveyed franchisees acknowledge our commitment to an interest-aligned, mutually beneficial relationship that caters to their needs. Additionally, more than 92% of surveyed franchisees would recommend our franchise opportunity to their friends and relatives. During the Track Record Period, we received a total of over 2.9 million franchise inquiries, forming a substantial candidate pool for selecting quality franchisees. Our successful and proven franchise model has also benefited consumers with ease of access, high-quality products, and standardized services, laying a solid foundation for our future expansion both in China and overseas.

Substantial long-term growth supported by scalable expansion across geographies and product categories

With our profound insight into consumer demands, extensive brand operating experience, efficient supply chain, robust R&D and production capabilities, and proven franchise model, we have scaled the extension of our operating footprints from China to the Southeast Asia market, and the expansion of our product categories from freshly-made ice cream and tea drinks to freshly-made coffee.

Since 2018, we have proactively expanded our footprints across the Southeast Asia market. By combining our extensive experience and know-how accumulated in China over time, and a series of locally-tailored innovative operational measures, we have grown rapidly in these markets.

– *Product offerings*. We maintained many high-quality value-for-money classic products on our local menus, and rolled out certain tailored offerings based on the insights into consumption patterns in specific markets, which gained extensive popularity among local consumers.

– *Supply chain*. By capitalizing on our global procurement network and production strengths, we combine our unique capabilities in China with high-quality local resources to create an ingredient supply solution suitable for targeted markets. Simultaneously, we have established a local logistics system, supported by 11 self-operated warehouses, totaling approximately 66,000 square meters, along with local delivery services.

– *Brand operations*. We conduct marketing campaigns that are suitable for local markets. We fully capitalize on our Snow King, a cultural symbol that extends beyond the realm of drinks, to launch a broad array of marketing activities including Snow King painting events and parades, leading to the wide acceptance and viral dissemination of our brand in the Southeast Asia market. For example, the hashtag #mixueindonesia had been viewed over 2.1 billion times cumulatively on TikTok as of the Latest Practicable Date.

– *Franchise management*. Our philosophy of aligning interests with franchisees, coupled with our all-round support, remains appealing to franchisees in these local markets. Building upon our success factors in China, such as standardized management and continued empowerment of franchisees, we have implemented country-specific franchisee selection and training measures, which has allowed us to expand our franchise network steadily in overseas markets. As of September 30, 2023, we had approximately 4,000 *Mixue* stores in Southeast Asia, solidifying our position as the largest freshly-made tea drinks brand in such market.

In 2017, we ventured into the freshly-made coffee industry with the launch of our *Lucky Cup* brand. Our ability of delivering high-quality value-for-money products is achieved through controlling the most critical factors affecting coffee quality, including core ingredients such as coffee beans and milk, essential store equipment like coffee machines, and in-store preparation standards for drinks. We source our Arabica coffee beans from regions such as Ethiopia, Colombia, Brazil, and Indonesia, and have built large-scale smart roasting facilities, leading China's freshly-made drinks industry in both price and quality control. Our high-quality coffee beans were recognized with one Platinum Medal and 19 Gold Medals from the IIAC International Institute of Coffee Tasters in Italy during 2022 and 2023. Moreover, we source high-quality milk from top-tier dairy companies in China. Supported by our robust supply chain, *Lucky Cup* focuses on offering high-quality freshly-made coffee with value for money, which is priced significantly below the industry average for similar products. With a network of approximately 2,900 stores, *Lucky Cup* ranks as the 4th largest freshly-made coffee brand in China in terms of number of stores as of September 30, 2023, according to CIC.

We believe we are well positioned to harness the substantial growth opportunities in the Southeast Asia market and in the freshly-made coffee industry, building upon our initial achievements and leadership in these areas. More importantly, we are confident in our ability to continuously expand the horizons of our business and replicate our success by adhering to our core values and the key success factors of our business model, while adopting innovative measures for new businesses.

Resilient founders and management team anchoring a unique corporate culture centered around authenticity and strong ESG commitment

Since inception, our founders have adhered to our core values of sincere people, genuine hearts, and authentic products, and are dedicated to fostering a corporate culture rooted in authenticity, which serves as the foundation for every decision we make and every action we take.

– We are committed to our mission of enabling everyone around the world to enjoy high-quality delicious products with value for money. From our initial sale of *Fresh Ice Cream* at RMB1 to RMB4 *Freshly-Squeezed Lemonade* and RMB6 freshly-made *Coffee Americano*, we focus on continuously offering high-quality products across categories while maintaining affordable prices.

– We are committed to our mission of making our brands stronger. We dedicate ourselves to continuously enhancing our procurement network, centralized factories, and logistics system, elevating our R&D and innovation capabilities, and investing in our iconic IP, Snow King. These efforts allow us to make steady progress to reach our long-term goals and solidify the foundation for our venture lasting for centuries.

– We are committed to our mission of making our partners more successful. We leverage our highly efficient operations to help franchisees succeed, and we share our achievements through our interest-aligned franchise model. In challenging times, we stand firm in our commitment to franchisee support by taking initiatives to reduce fees and lower the prices for specific store supplies and equipment.

Our founders and management are strong believers in social responsibility, championing long-term sustainable development. As an industry leader, we embrace corporate responsibility by creating or supporting approximately 500,000 job opportunities in 2022 across the value chain, from upstream agricultural procurement to production, logistics and franchised stores. As of the Latest Practicable Date, approximately 35% of our franchisees, and 68% of store employees were female. We continuously enhance our efforts in environmental protection, decarbonization and energy saving, and refined production, upholding the business philosophy of being low-carbon, green, and environment-friendly. For instance, our green packaging upgrades reduced PE plastics consumption by over 3,600 tons in 2022. In August 2023, we donated RMB15 million to Westlake University to support research on biodegradable plastics. In the area of rural revitalization, we strive to enhance the quality of life for farmers by aiding them in improving scientific cultivation capabilities, thereby improving quality and increasing productivity. During the Track Record Period, we donated RMB85.6 million, supporting areas such as natural disaster relief, education assistance, and environmental protection-related scientific research.

We attribute our growth and success to the resilience, long-term collegiality and the ability to learn and evolve of our founders and management. For over 20 years, we have not only endured multiple economic and industry cycles, but also navigated challenges from external competition and internal transformations. Our dedicated founders and management have adhered to the long-term perspective and an indomitable spirit, steadily advancing through cycles by exploring, adapting, and accumulating experiences. Starting from the front lines of business operations, most of them have collaborated to shape our shared values, vision, and philosophy, fostering trustful and understanding relationships. Aged 38 on average, our founders and management are young industry veterans, with an average of over 16 years of experience in relevant industries. Together, they form a dynamic and progressive team. The traits of our management and our unique corporate culture have laid a solid foundation for building brands lasting for centuries.

OUR STRATEGIES

For over 20 years, we have built strong and successful brands by staying simple and focused. We will capture the change of the times, and continue to build sustainable global brands lasting for centuries with the following strategies.

Solidifying our strong leadership in China's freshly-made drinks industry and proactively expanding overseas

We will continue to grow our store network in China. For *Mixue*, we will further penetrate into new markets and expand in existing markets to cover a broader consumer base, thereby meeting consumers' common demands for high-quality products with value for money. For *Lucky Cup*, we plan to leverage our Group's robust supply chain and strong operational capabilities to accelerate the nationwide store expansion.

Overseas, we will remain focused on cultivating the Southeast Asia market, and continue to expand our franchised store network locally. Additionally, we plan to tap into other markets in due course to build a more globalized brand.

Further strengthening infrastructure and operational systems to fulfill our vision to build brands lasting for centuries

First, we will enhance our end-to-end supply chain. In China, we will continue to elevate the breadth and depth of our supply chain, secure more diverse premium resources, and build a more agile and efficient logistics system, continue to invest steadily in production capacity expansion, and enhance R&D and innovation driven by new technologies and new materials. Internationally, we aim to establish a more versatile and dynamic global supply chain platform to effectively support our globalization strategies and overseas business expansion.

Additionally, we are committed to advancing our digitalization and intelligization efforts across business processes, enhancing operational efficiency and quality. For example, we will continue to refine our digital marketing and consumer management system to address market demands more effectively. We will also continuously strengthen our smart store solutions, covering site selection, store operations, and store supply replenishment systems, thereby empowering our franchisees. To improve production efficiency and quality, we will further enhance our advanced manufacturing capabilities characterized by automation, digitalization, and intelligization, and fully utilize world-leading equipment and robotics, and advanced production management systems.

Furthermore, we will further cultivate our brand IP. Our goal is to elevate Snow King into a distinctive global cultural symbol by leveraging his cultural significance extending beyond the realm of drinks and seamlessly integrated into everyday life, and enriching his cultural connotation and unlocking his cultural potential.

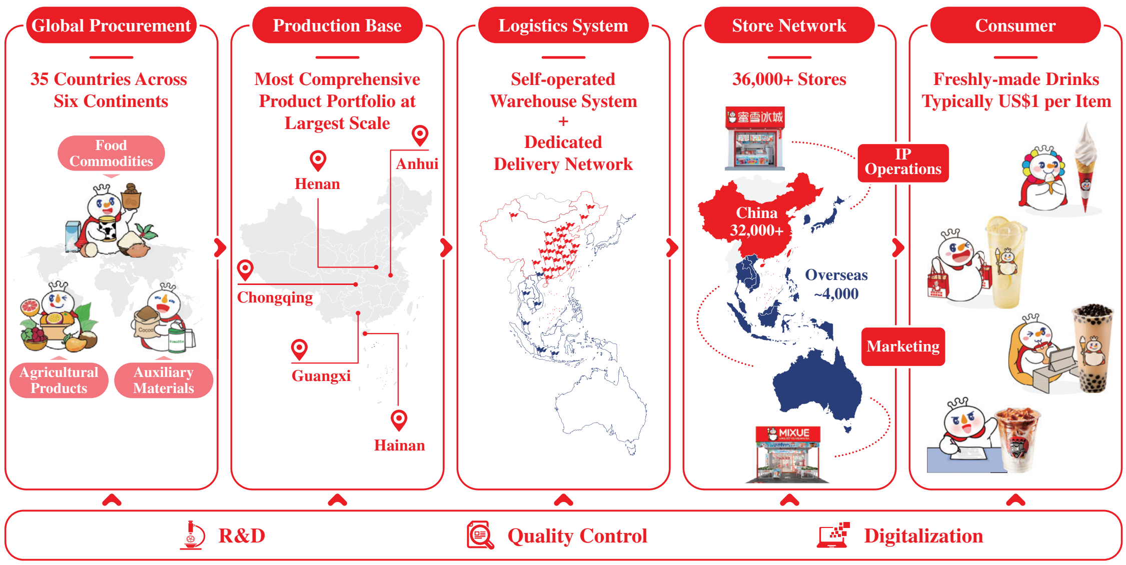
Lastly, we are dedicated to establishing a long-term sustainable green company and continuously creating social value. Our social responsibility efforts will concentrate on technological innovation, ecological environment, education, and rural revitalization.

OUR BUSINESS

Our business value proposition is to provide high-quality products with value for money. With this in mind, we have built our freshly-made tea drinks brand *Mixue* and our freshly-made coffee brand *Lucky Cup*, dedicated to offering high-quality freshly-made fruit drinks, tea drinks, ice cream and coffee typically priced around one U.S. dollar (approximately RMB6) per item.

We primarily operate our business through a franchise model and generate the vast majority of revenue from sales of goods and equipment to franchised stores. Our store network spans over 36,000 stores serving consumers both domestically and overseas. According to CIC, we are the largest freshly-made drinks company in China and the second largest in the world, in terms of both number of stores as of September 30, 2023 and number of cups sold during the nine months ended September 30, 2023.

Our compelling value proposition is underpinned by our end-to-end supply chain encompassing essential aspects covering procurement, production, logistics, R&D and quality control. This supply chain, which is the largest and most comprehensive one in China's freshly-made drinks industry according to CIC, fundamentally distinguishes us from our peers.



OUR BRANDS AND PRODUCTS

We have two major brands – freshly-made tea drinks brand *Mixue* and freshly-made coffee brand *Lucky Cup*.

Our *Mixue* brand ranks the first among all freshly-made tea drinks brands in China in terms of both number of stores and number of cups sold, according to CIC, with over 29,000 stores as of September 30, 2023 and over 5.2 billion cups sold during the nine months ended September 30, 2023. We had approximately 4,000 *Mixue* stores overseas as of the same date. *Mixue* has become the largest freshly-made tea drinks brand in Southeast Asia in terms of number of stores as of September 30, 2023, according to CIC. During the Track Record Period, the vast majority of GMV was generated through our *Mixue* stores.

With the foresight into the growing demand for freshly-made coffee products in China, we launched a freshly-made coffee brand *Lucky Cup* in 2017 to expand our product categories, building on *Mixue*'s success. *Lucky Cup*, with approximately 2,900 stores as of September 30, 2023, ranks the 4th among all freshly-made coffee brands in China in terms of number of stores according to CIC.

Our Freshly-Made Tea Drinks Brand – *Mixue*

Mixue's journey started in 1997, from a small store named *Coldsnap Shaved Ice* in Zhengzhou, China. When *Mixue* was formally introduced in 1999, our main product was shaved ice topped with syrups and jam. This product inspired the name of *Mixue*, or Mi Xue Bing Cheng as its Chinese full name – to bring blissful sweetness and refreshing coolness to our consumers. Today, over 20 years after the launch of *Mixue*, our brand culture extends far beyond the products we offer and becomes synonymous with the sweetness and love that everyone wants in everyday lives.

Mixue has become a household brand in China with significant consumer mind-shares. According to the CIC Survey, 93.0% of the surveyed consumers recognize *Mixue*. Additionally, *Mixue* is the first choice for and synonymous with freshly-made drinks in general, as well as high-quality value-for-money freshly-made drinks in particular.

Our *Mixue* Product Offerings

Mixue primarily offers freshly-made fruit drinks, tea drinks and ice cream to consumers both in China and overseas through an extensive store network. Our core *Mixue* products typically have a price range of RMB2 to RMB8. Our *Mixue* product offerings include both classic drinks and seasonal and regional drinks.

Classic Mixue Drinks

We have developed a series of classic *Mixue* drinks that have gained tremendous and enduring popularity among consumers both domestically and overseas. Our top five best-selling classic drinks, in aggregate, accounted for approximately 42.3% of our total cups sold in China for the nine months ended September 30, 2023. Our *Freshly-Squeezed Lemonade*, *Fresh Ice Cream* and *Bubble Tea* are the top three best-selling items in China's freshly-made drinks industry in terms of number of cups sold, according to CIC.

The below list includes the details of our top five best-selling classic drinks.

Freshly-Squeezed Lemonade "冰鮮檸檬水" is made with fresh premium lemons, ensuring a refreshing flavor. It typically has a price of RMB4. During the nine months ended September 30, 2023, approximately 913 million cups of our *Freshly-Squeezed Lemonade* were sold in China. During the same period, over eight out of every ten cups of all freshly-made lemonade consumed in China were from our *Mixue* stores according to CIC.

Fresh Ice Cream "新鮮冰淇淋", freshly made with premium dairy products, is a symbol of sweetness and love, reminiscent of the original ice cream cone crafted by our founder in 2005. It typically has a price of RMB2. During the nine months ended September 30, 2023, approximately 1.2 billion cups of our ice cream products, including our *Fresh Ice Cream*, were sold in China, and over three out of every ten cups of all freshly-made ice cream consumed in China were from our *Mixue* stores according to CIC.

Bubble Tea "珍珠奶茶" (also known as *Pearl Milk Tea*) is a milk tea drink made with tapioca balls, dairy products and black tea. It typically has a price of RMB6. During the nine months ended September 30, 2023, approximately 326 million cups of our *Bubble Tea* were sold in China. During the same period, over three out of every ten cups of all bubble teas consumed in China were from our *Mixue* stores according to CIC.

Peachy Spring Oolong Tea "蜜桃四季春" is a tea drink made with peach fruit pulp and oolong tea. It typically has a price of RMB7. During the nine months ended September 30, 2023, approximately 273 million cups of our *Peachy Spring Oolong Tea* were sold in China.

Bountiful Passion Fruit "滿杯百香果" is a tea drink made with passion fruit pulp and jasmine tea. It typically has a price of RMB7. During the nine months ended September 30, 2023, approximately 260 million cups of our *Bountiful Passion Fruit* were sold in China.

Seasonal and Regional Mixue Drinks

To complement our appealing and time-enduring classic drinks, we periodically introduce seasonal and regional drinks based on consumer preference insights and market trend analysis. When we launch seasonal products, we also consider the availability of seasonal ingredients. Our regional products are usually created with distinctive regional elements to suit the tastes of local consumers.

Details of our selected seasonal and regional drinks are illustrated below.

In June 2023, we launched *Bestie Berries* "莓果三姐妹", a seasonal thirst quencher featuring strawberries, blueberries and raspberries. It typically has a price of RMB7. During the first month of its debut, approximately 33 million cups of our *Bestie Berries* were sold.

In June 2022, we launched *Mulberry n' Strawberry Blast* "桑葚莓莓", a seasonal tea drink boosting the freshness of mulberries and strawberries with a rich and fruity texture. It typically has a price of RMB9. During the first month of its debut, approximately 18 million cups of our *Mulberry n' Strawberry Blast* were sold.

In October 2022, we launched *Taro Toasty* "厚芋泥奶茶", a winter seasonal drink that offers a smooth and velvety texture through the fusion of rich, mashed taro and milk tea. It typically has a price of RMB8. During the first month of its debut, approximately 12 million cups of our *Taro Toasty* were sold.

In July 2023, we launched *Citro Earl Grey* "香檸紅茶" as a regional drink across the southern China regions, where citrus medica is popular. It typically has a price of RMB5. During the first month of its debut, approximately 3 million cups of our *Citro Earl Grey* were sold.

Our Iconic IP – Snow King

To humanize our *Mixue* brand and elevate it to new heights in light of its business success, we went on to create a relatable icon that would resonate with a consumer base both domestically and overseas. Snow King, an endearing cartoon character who holds an ice cream scepter, was then introduced in 2018 as our *Mixue* lifelong brand ambassador. Since his debut, Snow King has endeared himself to fans for his upright, friendly, passionate, and determined personalities.

Centered around Snow King's adorable persona, we constantly create and release a variety of high-quality auditory and visual content that is fun and engaging. Most notably, Snow King stars in the music video of our catchy and melodious *Mixue* theme song, "I Love You, You Love Me, Mixue Ice Cream & Tea". As of the Latest Practicable Date, the hashtags for Snow King and *Mixue* theme song had garnered more than 8.7 billion and 8.4 billion views across major social platforms, respectively. In August 2023, we launched an animated TV series, "The Legend of Snow King", bringing the adorable character and lovely stories of Snow King to life. As of the Latest Practicable Date, this TV series achieved more than 200 million views.

Building on this wide-ranging content library, Snow King has nurtured an engaging consumer base and fan base from different countries with diverse cultural background, and inspired fans' social interactions and content re-creation.

- As of the Latest Practicable Date, *Mixue* had a total of approximately 43 million followers across six major social platforms, including Weixin, Douyin, Kuaishou, Xiaohongshu, Weibo and Bilibili, which represents the largest base of followers in the freshly-made drinks industry in China.

- The broad audience of consumers is highly engaged in enriching Snow King's character and image and participating in content re-creation. Content re-created by users on Bilibili reached over 163 million views. Snow King's adorable appearance has also endeared him to people and led to the creation of numerous memes shared on social media.

- In Vietnam, social media topics about the Snow King Children's Day painting event in 2023 had been viewed over 66 million times as of the Latest Practicable Date.

- Snow King can be found in our major *Mixue* events, such as the Ice Cream Music Festival, the *Mixue* Lucky Bag Festival, Snow King Cup Creativity Competition and Snow King's Birthday Party, resulting in constant visibility to consumers.

- To cater to Snow King fans' interests and further enhance his popularity, we also sell adorable merchandise like toys and water bottles featuring Snow King images.

See also "— Marketing" for more details about our Snow King's role in various marketing campaigns.

Through years of content creation and IP operations, Snow King has become the sole iconic IP in China's freshly-made drinks industry, setting our brand apart from other brands in the industry. According to the CIC Survey, when asked about the iconic IP in the freshly-made drinks industry in China, 79.1% of the consumers named Snow King. Today, Snow King extends beyond the realm of drinks, transforming into a cross-regional cultural symbol deeply integrated into our consumers' daily lives.

Our Freshly-Made Coffee Brand – *Lucky Cup*

Drawing on the success of *Mixue*, we launched our freshly-made coffee brand *Lucky Cup* in 2017 to further expand our product categories.

At *Lucky Cup*, we offer high-quality value-for-money coffee with meticulously selected ingredients and equipment. All of the coffee drinks offered by *Lucky Cup* are made of our Arabica coffee beans sourced from countries such as Ethiopia, Colombia, Brazil, and Indonesia. We have also established large-scale coffee roasting plants equipped with automated facilities and machinery procured from well-recognized suppliers, such as Probat and Bühler. Furthermore, our coffee beans have won one Platinum Medal and 19 Gold Medals from the IIAC International Institute of Coffee Tasters in Italy during 2022 and 2023. Other key ingredients for our coffee drinks include premium dairy products from well-recognized suppliers, such as ZHAORIWEIPIN.

Our *Lucky Cup* Products

Lucky Cup primarily offers freshly-made coffee drinks, ranging from classic products to trendy, innovative ones. Our core *Lucky Cup* products typically have a price range of RMB5 to RMB10. Details of our best-selling *Lucky Cup* products are illustrated below.

Coffee Americano "美式咖啡" products cater to coffee lovers yearning for the original taste of high-quality coffee beans. Our *Coffee Americano* products typically have a price of RMB6.

Coffee Latte "拿鐵咖啡" products are made with premium coffee beans and dairy products. Our *Coffee Latte* products typically have a price of RMB7.

Coco Latte "椰椰拿鐵" products are made with premium coffee beans and coconut milk. Our *Coco Latte* products typically have a price of RMB8.

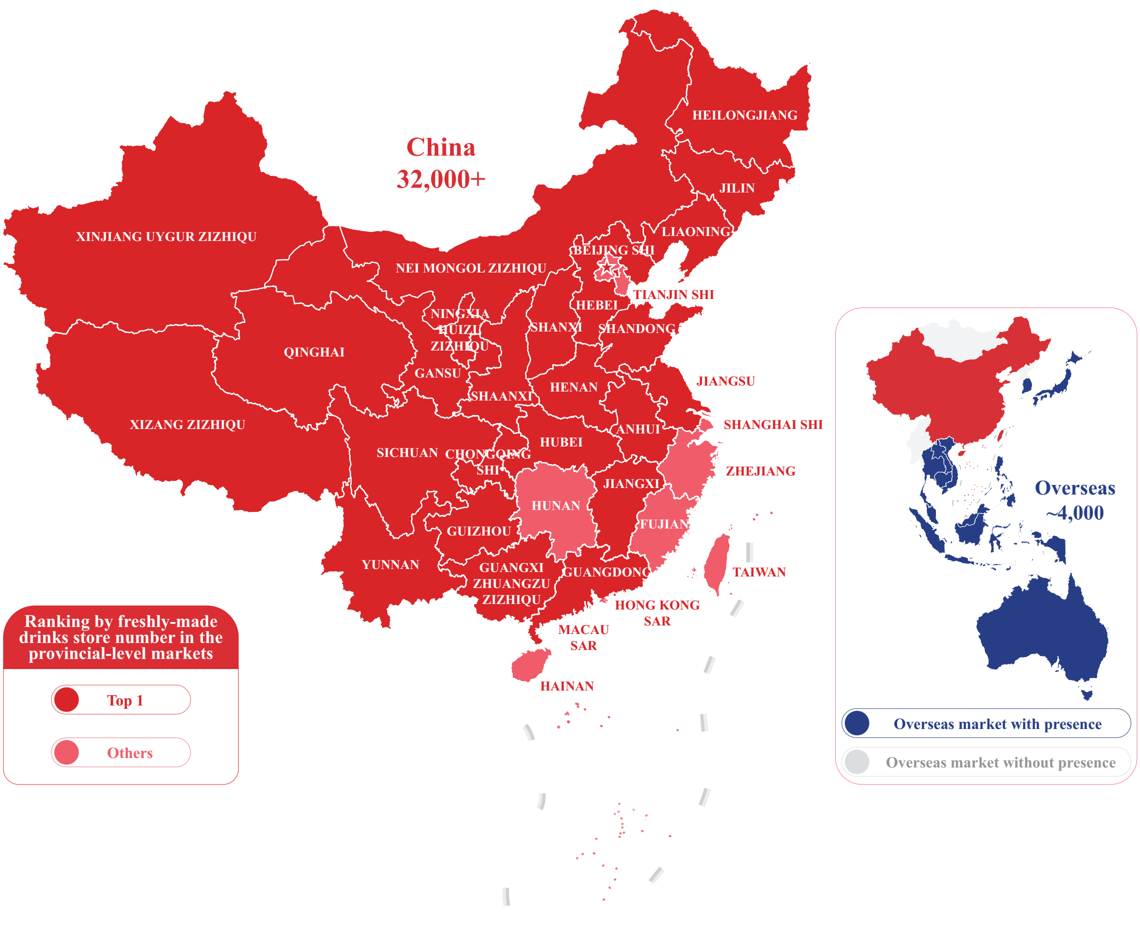
OUR STORE NETWORK

We are China's largest and the world's second largest freshly-made drinks company, in terms of both number of stores as of September 30, 2023 and number of cups sold during the nine months ended September 30, 2023, according to CIC. As of September 30, 2023, our store network encompassed over 36,000 stores in China and overseas. During the nine months ended September 30, 2023, approximately RMB37.0 billion of GMV was generated and approximately 5.8 billion cups were sold through our store network.

As of September 30, 2023, we have established store presence across 31 provinces, autonomous regions and municipalities, including nearly 300 cities, 1,700 counties and 3,100 towns in China, spanning across all tiers of cities with an industry-leading penetration in lower-tier markets, according to CIC. This extensive geographic reach and deep penetration set us apart from other freshly-made drinks brands in China. We have also established a substantial, growing presence in overseas markets, with approximately 4,000 stores in 11 overseas countries as of September 30, 2023.

The following map illustrates the footprint of our vast store network in China and overseas as well as our rankings by freshly-made drinks store number in the provincial-level markets in China, as of September 30, 2023.

Our Store Network in China and Overseas



For illustrative purpose only, the map (Map Review Number (審圖號): GS(2021)5447, GS(2016)2948) is presented to demonstrate our footprint in China and overseas.

The following table sets forth the number of our stores in China and overseas as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
China	19,731	27,188	32,180
Overseas	270	1,795	3,973
Total	**20,001**	**28,983**	**36,153**

The following table sets forth the number of our stores in China by city tier and their percentages of the total number of stores in China as of the dates indicated.

	As of December 31,				As of September 30,	
	2021		2022		2023	
First-tier cities	782	4.0%	1,190	4.4%	1,444	4.5%
New first-tier cities	4,172	21.1%	5,710	21.0%	6,725	20.9%
Second-tier cities	3,187	16.2%	4,739	17.4%	5,714	17.7%
Third-tier and below cities	11,590	58.7%	15,549	57.2%	18,297	56.9%
Total number of stores in China	**19,731**	**100.0%**	**27,188**	**100.0%**	**32,180**	**100.0%**

OUR STORE OPERATIONS

We primarily operate through a franchise model, and the vast majority of our revenue during the Track Record Period was generated from sales of goods and equipment to franchised stores. As of September 30, 2023, more than 99.8% of our stores were franchised stores, with the rest being our self-operated stores.

Overview

We cooperate with our franchisees on every major aspect of store operations to best align our core values with their continued drive for entrepreneurial success. On one hand, our franchisees benefit from our brand reputation, industry expertise and resources. On the other hand, with day-to-day store operations fully handled by our franchisees in accordance with our operational procedures, we are able to focus on strengthening our brands, developing and refining our products, improving our supply chain capabilities, expanding our scale, and enhancing store performances at all levels. This interest-aligned approach fosters a mutually beneficial relationship between our franchisees and us, allowing us to attract more franchisees to join our network. Franchise model represents a common market practice in the freshly-made drinks industry in China and overseas, according to CIC.

Under our franchise model, we authorize our franchisees to sell freshly-made drinks through franchised stores under our brands, and the franchisees purchase store supplies and equipment from us as part of their daily operations. Franchisees are the owners of these stores and are accountable for their results of operations. We also stipulate that franchisees adhere to our comprehensive, standardized operational procedures and requirements.

The following table sets forth the movement of the number of our franchised stores for the years and periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2021	2022	2022	2023
Number of franchised stores at the beginning of the year/period	12,509	19,954	19,954	28,929
Number of franchised stores opened	8,022	9,671	7,190	8,020
Number of franchised stores closed by us	(371)	(432)	(287)	(453)
Number of franchised stores closed by franchisees	(206)	(264)	(183)	(403)
Number of franchised stores at the end of the year/period	**19,954**	**28,929**	**26,674**	**36,093**

With our strong brands and products, the number of our franchised stores increased substantially during the Track Record Period. The number of our franchised stores increased from 19,954 as of December 31, 2021 to 28,929 as of December 31, 2022, and increased from 26,674 as of September 30, 2022 to 36,093 as of September 30, 2023.

In 2021, 2022 and the nine months ended September 30, 2023, 64.3%, 62.1% and 52.9% of all franchised store closures were ordered by us based on our comprehensive store evaluation system (see "— Store Performance Evaluation System"), respectively, whereas the rest were initiated by franchisees.

The following table sets forth the movement of the number of our franchisees for the years and periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2021	2022	2022	2023
Number of franchisees at the beginning of the year/period	6,366	9,784	9,784	13,625
Number of franchisees onboarded	3,856	4,559	3,190	3,448
Number of franchisees departed through transfer of stores to other franchisees	(166)	(412)	(289)	(364)
Number of franchisees terminated by us	(179)	(176)	(118)	(199)
Number of franchisees who ceased store operations	(93)	(130)	(97)	(229)
Number of franchisees at the end of the year/period	**9,784**	**13,625**	**12,470**	**16,281**

As our business grows, the number of franchisees joining us increased substantially during the Track Record Period. The number of our franchisees increased from 9,784 as of December 31, 2021 to 13,625 as of December 31, 2022, and increased from 12,470 as of September 30, 2022 to 16,281 as of September 30, 2023.

Among all terminated franchisees in 2021, 2022 and the nine months ended September 30, 2023, 37.9%, 57.4% and 46.0% of them transferred their stores to other franchisees, respectively. If the store transfer is to a new franchisee, we apply the same franchisee onboarding standards in approving such transfer. To our knowledge, these franchisees opted to transfer stores to other franchisees primarily due to reasons unrelated to store performance. In 2021, 2022 and the nine months ended September 30, 2023, 40.9%, 24.5% and 25.1% of the franchisee terminations were ordered by us based on our comprehensive store evaluation system (see "— Store Performance Evaluation System"), respectively.

We have developed a comprehensive franchisee onboarding process and systematically apply it to all franchisee applications. The key steps of our onboarding process include:

- Franchisee applicants initiate the process by completing the application forms and submitting them to us.

- We conduct interviews to assess the franchisee applicants' qualifications for opening a store.

- Franchisee applicants submit store site proposals to us.

- Upon approval of the franchisee application and the assessment of the proposed store site, we enter into a franchise agreement with the approved franchisee.

- We guide and assist the approved franchisee with the design of store layout and decorations to ensure the consistent brand image of our stores.

- Before a store is open for business, we provide mandatory offline trainings to the franchisees and their store employees. Also, we collect and verify the required licenses and certificates necessary for store opening to ensure their compliance.

Franchise Application

Instead of substantial investments in advertising and marketing, we primarily rely on word-of-mouth referrals to attract a large, growing pool of franchisee candidates, which provides us with the opportunities to identify high-quality franchisees to partner with. To preserve our brand values and ensure consistently superior consumer experiences, we maintain stringent standards when evaluating franchisee candidates and approving store opening applications. We leverage our past experiences in identifying high-quality franchisee applicants, and our primary considerations in reviewing the franchisee candidates' applications include their adherence to our core values and the quality of their store site proposal. We only approved less than 5% of the large number of franchise applications for *Mixue* in China during the Track Record Period.

Site Selection

Our stores are primarily located at sites with substantial consumer traffic, such as commercial streets, residential districts, school areas, supermarkets and shopping centers.

We undertake careful site selection vetting procedures before entering any franchise agreement. The effectiveness of such procedures is ensured by our professional vetting team's extensive experiences and know-how as well as intelligent information analysis. We only approve a fraction of the store site proposals we receive from franchisee applicants. Typically, we consider the following criteria when approving sites:

- presence of high-traffic districts such as commercial streets, residential districts, school areas, supermarkets and shopping centers;

- the level of development, future potential, and overall prospects of the surrounding areas;

- operating performance of our existing stores and competitors in the surrounding areas; and

- density of our existing stores in the surrounding areas, see also "— Cannibalization Risk Management" for details.

Store Design

We adopt a standardized store design, store layout and storefront presentation across our store network to build a consistent brand image and provide a consistently satisfactory consumer experience. The majority of our stores are designed with a red and white color theme, with our iconic IP, Snow King, displayed prominently.

Our stores vary in size, typically with an area between 15 and 60 square meters. We have developed various store formats, tailoring to the local community, business environment and consumption scenario. Our store formats primarily include standard pick-up stores, standard dine-in stores, flagship stores, container stores, themed stores, and specially-designed stores.

Standard Dine-in Store

Standard Pick-up Store

Flagship Store

Container Store

Themed Store

Specially-designed Store

Training and Development

We endeavor to foster shared success with our franchisee community. Towards this goal, we focus on the effective training and development of our franchisees and their store employees to drive the sustainable growth of our business. To provide the best training results to our franchisees and their store employees, we had more than 220 full-time in-house training professionals as of September 30, 2023. We have designed an advanced training and development system built around our offline training system and our online learning app, *Mixue Academy* app to empower our franchisees across all key aspects of store management and operations.

Offline Training

We provide offline training to franchisees and their store employees, helping them obtain first-hand knowledge and experiences necessary for successful store operations. Our offline trainings provide a comprehensive, standardized set of courses covering all key aspects of store operations, such as drinks preparation, food safety and consumer services. Franchisees and their employees are required to attend training courses and pass certain examinations. For example, before store opening, franchisees and their employees are required to attend a 12-day centralized training and pass examinations. For the nine months ended September 30, 2023, our franchisees and store employees have participated in our offline training sessions over 170,000 times cumulatively.

Online Training

Our *Mixue Academy* app offers a wide range of courses in store operations, such as drinks preparation, food safety and consumer services. For the nine months ended September 30, 2023, we offered over 5,700 pre-recorded courses on our *Mixue Academy* app. As of the Latest Practicable Date, courses on our *Mixue Academy* app had been completed for approximately 62 million times. Additionally, *Mixue Academy* app provided approximately 270 live-streaming training sessions with more than 248,000 participants for the nine months ended September 30, 2023.

Online Training

Offline Training

Standardized Store Operations

We have detailed measures and policies in place to guide our franchisees in their day-to-day store operations. Our franchised stores are operated based on a comprehensive set of operating standards and procedures, including uniform methods for drinks preparation, centralized procurement of store supplies and equipment, and consistent pricing. We design these standards and procedures in an easy-to-understand manner to streamline management and execution for franchisees and their employees. For example, as part of our franchising services, we provide our franchisees with smart store solutions, which digitalize and facilitate franchisee applications, daily business and store operations management. See "— Digitalization".

Store Check-in Mechanism

We have established a systematic store check-in mechanism to guide and supervise our store operations and provide feedback for our store performance evaluation. As of September 30, 2023, we deployed a team of 1,373 store operations advisors, who are tasked to provide guidance to facilitate franchisees' store operations and check in the stores assigned to them on a regular basis. We also deploy a separate store supervisor team, which is responsible for performing independent inspections of store operations. The store supervisors primarily conduct onsite spot checks for randomly selected stores. Our store check-in covers various aspects, such as product quality, consumer services, food safety and compliance.

Store Performance Evaluation System

To maintain dynamic, effective supervision of store performance, we closely monitor our store performance and track progress on a regular basis. Such evaluation primarily focuses on consumer satisfaction, quality control and food safety, and sales performance. Our store performance evaluation largely hinges on feedbacks from our store check-ins. See "— Store Check-in Mechanism".

If any franchised store underperforms, we first assess the reasons for underperformance and formulate customized, actionable improvement plans to address the issues. If there is any breach of franchise agreements, the franchisees may be subject to penalties pursuant to the terms of the relevant franchise agreements, which in certain cases may lead to store closures.

Store-Level Quality Control

We prioritize the quality control management of our franchisees and store operations. We require all franchisees to strictly follow all applicable laws and regulations related to food quality, safety and hygiene, as well as our internal protocols. We conduct store check-ins, guide stores to address food safety and quality control issues, and assess and take action based on check-in results. See "— Store Check-in Mechanism". In addition, we provide food safety training to franchisees and their employees. Our trainings cover insights on industry food safety regulations and trends, factors influencing food safety, and practical guide to prevent food safety risks at the store level.

During the Track Record Period and as of the Latest Practicable Date, we had not experienced any food safety incidents that would have material and adverse impact on our overall business operations.

Responses to Consumer Complaints

We have established a dedicated management system to address consumer complaints directly addressed to us, which may involve complaints about products and services at our stores. Our consumer service staff will thoroughly understand the nature of the complaints and maintains detailed records upon receipt of consumer complaints, aiming to resolve the issues promptly. After receiving consumer complaints, we conduct investigations to determine the responsible parties. If, upon our investigation, the consumer complaints are resulted from franchisees, raw material suppliers or other third parties, we request them to rectify the issues timely. Then we communicate our responses and/or solutions with the complaining consumers.

Compliance Management

To ensure the effectiveness of our franchise business model, we put great emphasis on the compliance management of our franchise network. Prior to store opening, our franchisees are required to obtain all requisite licenses and permits for store operations, including business license and food operation license. To ensure ongoing compliance, we also focus on identifying issues through our periodic store check-in and factor in such results as part of our store performance evaluation. See "— Store Performance Evaluation System".

Agreements with Franchisees

We enter into standardized agreements with each of our franchisees to cover the key aspects of the operation of franchised stores, which consist of (i) a franchise agreement, which provides for the key terms with respect to the operations and management of franchised stores and (ii) a framework procurement agreement, which provides for the key terms in relation to the procurements of store supplies and equipment by our franchisees. Our franchise agreements and framework procurement agreements typically have the following key terms.

Key Terms of Franchise Agreements

- Terms — We enter into franchise agreements with a general term of three or four years.

- Fees and deposit — We charge the following fixed fees to our franchisees according to the franchise agreement.

  - *Franchise fee*. We typically charge franchise fees on an annual basis to license and authorize the franchisees to leverage our brand, business model and support to conduct their business. For example, the franchise fees we charge in China vary by tier of cities, typically ranging from RMB7,000 to RMB11,000.

  - *Management fee*. We typically charge our franchisees management fees on an annual basis for daily management, operational guidance and marketing support.

- *Training fee*. We typically charge our franchisees training fees on an annual basis for ongoing training services for franchisees.

Furthermore, our franchisees are typically required to pay a fixed deposit at the signing of the franchise agreement to ensure their full compliance with the terms set forth in the franchise agreement. Such deposit will be fully refunded to our franchisees upon the expiration of the franchise agreement if there has not been any breach of the agreement.

- Standardized procurement — Franchisees are required to purchase and use standardized ingredients, packaging materials and equipment, as specified by us. During the Track Record Period, we do not set minimum purchase commitment for our franchisees.
- Intellectual property — Our franchisees are authorized to use our brand, trademarks and other intellectual property rights within the designated premises.
- Brand promotion — We require our franchisees to collaborate with us in implementing standardized advertising and promotional campaigns, and actively engage in executing the marketing strategies we have outlined.
- Termination — The franchise agreement may be terminated bilaterally or unilaterally by either party under the circumstances provided in the agreement.

Key Terms of Procurement Agreements with Franchisees

- Order placement — Each of the franchisees shall submit orders via a centralized ordering system to us.
- Shipping — We will arrange delivery of the purchased store supplies and equipment to the franchisee upon receipt of payment.
- Product return — Absent any quality issue, we reserve the right to reject requests for product returns and/or exchanges. If there are quality issues with the goods, franchisees shall submit the return and/or exchange request within 48 hours of receiving the goods. The amount of product return during the Track Record Period was not material. According to CIC, our product return policy is in line with industry practices and standards.

- Payment and credit terms — The franchisees are required to make upfront payment to us in advance of shipping of the purchased store supplies and equipment.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any breach of the franchise agreements by our franchisees that had a material and adverse impact on our business operations.

Relationship with Franchisees

As of the Latest Practicable Date, to the best of our knowledge, all of our franchisees are Independent Third Parties and we do not have any franchisees who are our current employees. During the Track Record Period, certain of our franchisees were our former employees or then-current employees. As of December 31, 2021, 2022 and September 30, 2023, we had 8, 11 and 14 franchisees who were our former employees or our then-current employees, respectively. These franchisees operated 31, 33 and 36 franchised stores as of December 31, 2021, 2022 and September 30, 2023, respectively. The revenue contribution from these franchisees was immaterial, collectively accounting for 0.14%, 0.09% and 0.06% of our revenue in 2021, 2022 and the nine months ended September 30, 2023, respectively. When onboarding these franchisees, we applied the same selection criteria and procedures as those for other franchisees. The franchise agreements that we entered into with these franchisees have the same terms and conditions as those in the franchise agreements with other franchisees.

Pricing Policy

We require our franchisees to sell our products at the retail price set by us. We set the prices of store supplies and equipment to our franchisees considering a number of factors such as procurement and production costs, logistics costs, and pricing of comparable products in the market.

Cannibalization Risk Management

As we increase the density of our store network, we primarily rely on our systematic approach in site selection to effectively prevent unhealthy competition among our existing and new franchised stores, especially in the business districts where we have a more established presence. Through our site selection vetting process, we will assess the potential impact on the surrounding existing stores during the onsite review of the proposed store sites, taking into account factors such as location, consumer traffic patterns and target consumer demographics, to make a decision on whether to approve the proposed store sites. See also "— Site Selection".

OUR SUPPLY CHAIN

Overview

We are the first freshly-made drinks company in China to establish centralized factories. Today, we operate the largest and most comprehensive end-to-end supply chain in China's freshly-made drinks industry, according to CIC. Our highly digitalized and expansive supply chain fundamentally distinguishes us from our peers and enables us to provide our franchisees with a competitive one-stop solution. Approximately 60% of the ingredients we provide to franchisees are self-produced, the highest in China's freshly-made drinks industry according to CIC, with the core ingredients being 100% self-produced.

- Over the years, we have built a global procurement network that provides us with access to premium resources. Through this network, we procure raw materials, store supplies and equipment from a selected pool of reliable suppliers to ensure the quality and stability of supply.

- With the application of technologies combined with our operational expertise, we have achieved advanced digitalization and intelligized operations throughout our production process. This technology-empowered production process is pivotal to our high-quality products and highly-efficient operations, which ensures franchisees' satisfaction, and ultimately, a compelling consumer experience.

- To ensure the timely delivery of store supplies and equipment to our vast store network in China, we have also established a highly efficient logistics system that is backboned by a self-operated warehouse system and a dedicated delivery network.

- Our R&D efforts seamlessly combine both application R&D for product tastes and recipes and fundamental R&D for ingredient-related technologies, production techniques, recipes and equipment. This holistic R&D approach leads to our industry-leading research capabilities for core ingredients and ability to continuously offer high-quality value-for-money freshly-made drinks for consumers.

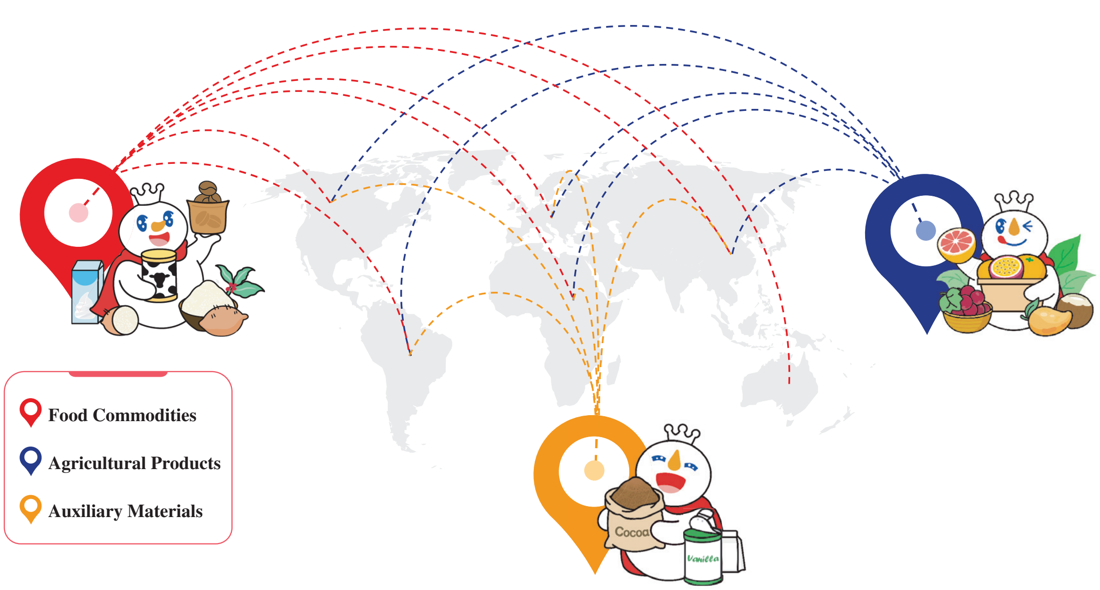
- Last but not least, we maintain and implement robust quality control standards to ensure the consistent high quality of outputs throughout our entire supply chain.

Procurement

Overview

We primarily procure (i) raw materials to support our production, such as food commodities, agricultural products and other auxiliary materials, and (ii) store supplies and equipment to be provided to our stores directly, primarily including packaging materials and store equipment. During the Track Record Period, we sourced raw materials originated from 35 countries across six continents.

Global Procurement Network Spanning 35 Countries across Six Continents



We have established long-term collaborations with premium and reliable suppliers, and this helps ensure the quality, cost-efficiency and stability of our supplies. Our strong brand reputation and vast store network give rise to the stable and sizable consumer demand for our products, therefore we enjoy the bargaining power to secure core raw materials at prices below the industry average. Additionally, we factor in our sales targets during the procurement planning process to further manage our procurement costs.

As we continuously deepen our efforts in enhancing our supply chain capabilities, we have expanded our operations further upwards along the supply chain. With these efforts, we have established collaborative planting bases to ensure the high-quality and stable supplies of key agricultural products that are crucial to the recipes of our products. For example, our collaborative planting base in Anyue, Sichuan had provided approximately 44,000 tons of lemons to us in the nine months ended September 30, 2023, and we are China's largest lemon purchaser in terms of purchase volume in the same period, according to CIC. In certain cases, we engage in discussions regarding procurement plans with fruit suppliers ahead of the farming season, which is expected to lead to secured supplies at favorable procurement terms.

During the Track Record Period, we did not encounter any delay or shortage in the procurement of raw materials, store supplies and equipment that materially affected our business operations.

Procurement Cost Control

To control our procurement costs, we primarily employ the following measures: (i) integrating a variety of supply resources from both domestic and global suppliers, (ii) extending our global procurement network to the origins of raw materials to eliminate intermediary costs, (iii) establishing long-term partnerships with upstream suppliers, and (iv) arranging agreed-upon prices or price ranges with certain suppliers in advance to secure sufficient supplies at reasonable costs.

Some of the raw materials we procure, such as sugar and coffee beans, are inherently susceptible to price fluctuations. However, we do not expect such price fluctuations to have a material and adverse impact on our and our franchisees' operations with the above measures adopted. For risks associated with price fluctuation of raw materials, see "Risk Factors — Risks relating to Our Business and Industry — We face the risk of price fluctuations in some of our raw materials, which could materially and adversely affect our results of operations and financial performance". We generally do not pass short-term increase in costs onto our franchisees.

Procurement Agreements with Suppliers

Our procurement agreements with suppliers typically contain the following key terms.

- *Term*. We typically enter into procurement agreements with terms within one year subject to annual review and renewal or without fixed terms.

- *Product specification*. Detailed specifications for the procured goods are set forth in the procurement agreements.

- *Price*. Pre-determined price of the procured goods is set forth in the procurement agreements. If the market price of the procured goods fluctuates significantly, we may negotiate with the suppliers to reset the price in certain cases.

- *Inspection and acceptance*. The procured goods are subject to our inspection within the specified inspection period upon arrival at our designated place.

- *Delivery.* The delivery method will be separately notified by us for each batch of goods. If the suppliers are responsible for the delivery, they shall deliver the procured goods to our designated place and bear any related logistics costs. If we are responsible for the delivery, we shall arrange pick-up at the suppliers' warehouses and bear related costs.

- *Payment term*. We are generally granted a credit term ranging from seven days to one month.

- *Liabilities*. For defective or unqualified goods, the suppliers shall exchange the goods and bear all expenses incurred. For late delivery of goods. We may negotiate with suppliers for price reduction and have the rights to reject such batch of goods.

- *Termination*. The major termination events include (i) failure to renegotiate the price under significant fluctuations in market price; (ii) material breach of the procurement agreement, and (iii) force majeure.

Production

Overview

As of September 30, 2023, our production encompassed the most comprehensive product portfolio at the largest scale in the supply chain of China's freshly-made drinks industry, according to CIC. In 2012, we established our first production plant, being the first company to establish centralized factories in the freshly-made drinks industry in China. Currently, we have five production bases in Henan, Hainan, Guangxi, Chongqing and Anhui, which have a total site area of 0.67 million square meters. At these production bases, our production covers seven categories of ingredients for freshly-made drinks, including products of syrups, milk, tea, coffee, fruit, grains and condiments, with a total annual production capacity of approximately 1.43 million tons.

Our approach to supply chain is focused on leveraging the profound strengths of China manufacturing capabilities, and incorporating world-leading standards in factory construction and production management. As of September 30, 2023, we have built state-of-the-art smart factories housing over 50 intelligent production lines, all equipped with advanced automation equipment and digital tools, including ABB's robots and associated automation equipment, Probat's coffee roasters, and Tetra Pak's aseptic high-speed carton filling machines.

Self-production is one of the critical aspects that distinguish us from most of our peers. We usually make the decision to produce specific ingredients in-house to enhance quality and cost efficiency when demand for these ingredients reaches a critical mass and we possess the necessary R&D and production expertise. We also self-produce certain essential packaging materials and store equipment.

Production Bases

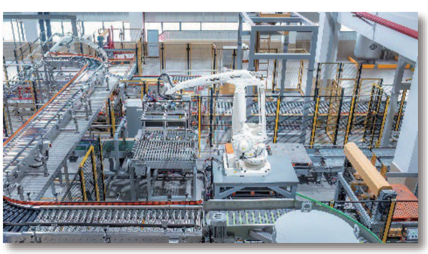
The following chart illustrates our production bases and their key operational information as of September 30, 2023.

Henan Production Base

- Main products: ingredients (products of syrups, milk, tea, coffee, fruit, grains and condiments), packaging materials and store equipment
- Site area (including facilities under construction): ~245,000 square meters
- Annual production capacity: ~1.1 million tons

Hainan Production Base

- Main products: ingredients (including products of milk and coffee)
- Site area (including facilities under construction): ~204,000 square meters
- Annual production capacity: ~45,000 tons



Guangxi Production Base

- Main products: ingredients (including products of syrups, fruit and condiments)
- Site area: ~100,000 square meters
- Annual production capacity: ~151,000 tons

Chongqing Production Base

- Main products: ingredients (including fruit products)
- Site area: ~102,000 square meters
- Annual production capacity: ~75,000 tons

Anhui Production Base

- Main products: ingredients (including fruit products)
- Site area: ~19,000 square meters
- Annual production capacity: ~39,000 tons

Henan production base

Our Henan production base produces all seven categories of ingredients, as well as packaging materials and store equipment. The site area of our Henan production base (including facilities under construction) is approximately 245,000 square meters, and the annual production capacity for ingredients of this production base is approximately 1.1 million tons. Our Henan production base serves as our primary production facility and is our largest production base to date.

Hainan production base

Our Hainan production base primarily produces ingredients such as coconut-based milk products and coffee products. The site area of our Hainan production base (including facilities under construction) is approximately 204,000 square meters, and the annual production capacity for ingredients of this production base is approximately 45,000 tons. Our Hainan production base leverages the favorable trade policies of Hainan Free Trade Port and is well-positioned to support our international business.

We have commenced construction of new facilities in our Hainan production base in 2023 to expand the production capacity for ingredients such as frozen fruit products, coffee products, syrups and condiments. Such expansion plan is expected to complete in 2025.

Guangxi production base

Our Guangxi production base primarily produces ingredients such as syrups, fruit products and condiments. Strategically located in the southern region of China, our Guangxi production base also has convenient access to many tropical fruits, such as mango and passion fruit. The site area of our Guangxi production base is approximately 100,000 square meters, and the annual production capacity for ingredients of this production base is approximately 151,000 tons.

Chongqing production base

Our Chongqing production base primarily produces ingredients such as fruit products. The site area of our Chongqing production base is approximately 102,000 square meters, and the annual production capacity for ingredients of this production base is approximately 75,000 tons. Our Chongqing production base has factories in Anyue and Tongnan. In particular, the Anyue factories, focused on the procurement and processing of lemon, are located in the same town of our collaborative planting base.

We have commenced the construction of new production lines in our Chongqing production base in 2023 to expand our production capacity for ingredients, which is expected to complete in 2024.

Anhui production base

Our Anhui production base primarily produces ingredients such as fruit products. The site area of our Anhui production base is approximately 19,000 square meters, and the annual production capacity for ingredients of this production base is approximately 39,000 tons. Our Anhui production base has factories in Chuzhou and Qilitang. In particular, the Qilitang factory, strategically located near strawberry farms, specializes in efficiently handling frozen strawberry products while maintaining product quality.

Production Capacity

The following table sets forth the production capacity, production volumes, and utilization rates for our seven ingredient categories during the years/periods indicated.

	For the year ended December 31,						For the nine months ended September 30,		
	2021			2022			2023		
Products	Production capacity(1)	Production volume	Utilization rate of production capacity(2)	Production capacity(1)	Production volume	Utilization rate of production capacity(2)	Production capacity(1)	Production volume	Utilization rate of production capacity(2)
	(in tons, except for percentages)								
Syrups	127,851	75,112	58.7%	255,677	156,486	61.2%	417,676	190,122	45.5%
Milk Products	76,825	63,879	83.1%	233,837	147,110	62.9%	264,877	161,763	61.1%
Tea Products	–	–	–	–	–	–	2,696	908	33.7%
Coffee Products	3,640	848	23.3%	6,087	4,349	71.4%	11,250	6,595	58.6%
Fruit Products	35,575	30,417	85.5%	101,062	70,658	69.9%	103,921(3)	64,407(3)	62.0%
Grains Products	11,625	2,699	23.2%	16,101	5,364	33.3%	8,714	3,972	45.6%
Condiments	65,389	11,529	17.6%	90,309	38,835	43.0%	105,475	62,857	59.6%

Notes:

(1) The production capacity is calculated based on the daily production capacity of production lines for each of the categories, weighted by days of operation of such production lines during the year or period as indicated.

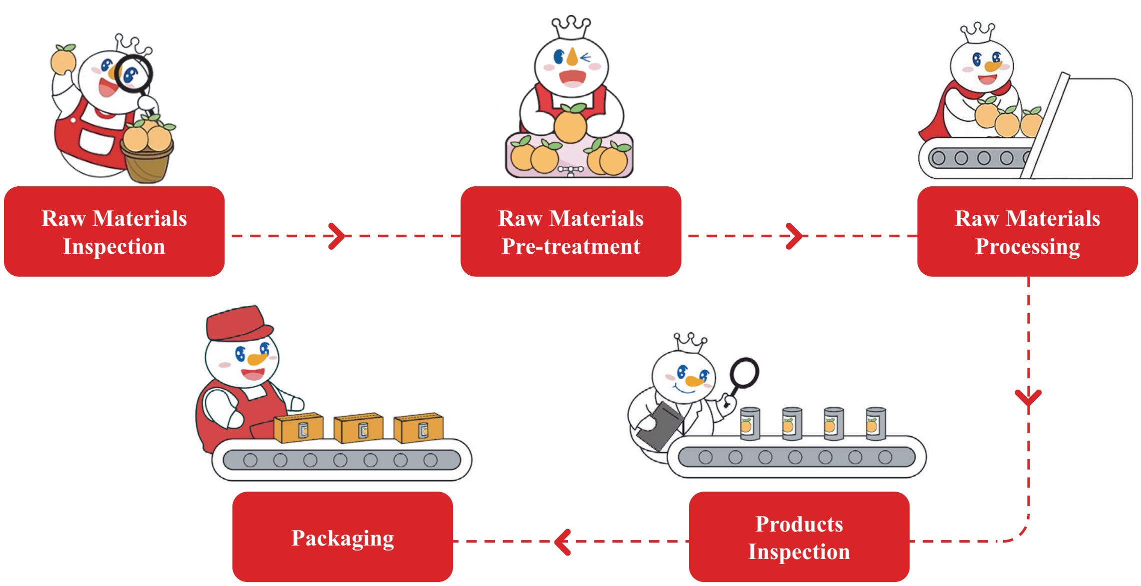
(2) Utilization rate refers to the percentage of the production volume to the production capacity during the year/period indicated.

(3) Our Chongqing production base, focused on lemon procurement and processing, typically operates in the fourth quarter of a year due to seasonality. Therefore, its production capacity and production volume for the nine months ended September 30, 2023 were nil. The annual production capacity for ingredients of this production base is approximately 75,000 tons.

Fluctuations of our utilization rate of production capacity during the Track Record Period were primarily due to the expansion, planning and optimization of our production capacity. Going forward, we plan to further increase our production capacity to support our business growth. Whether we can successfully implement our expansion plans is subject to conditions and risks commonly associated with large construction and expansion projects. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We face risks in relation to production capacity. Our future success and growth potential are dependent on our ability to successfully implement our production capacity expansion plans and effectively manage our production capacity". We expect to fund our production capacity expansion plans by the net [**REDACTED**] from the [**REDACTED**] and cash generated from our operations. For details of our expansion plans, see "Future Plans and Use of [**REDACTED**]".

Production Process

The following chart illustrates the key steps of a typical production process of our key ingredients.



- Raw materials inspection: inspect raw materials according to relevant standards

- Raw materials pre-treatment: thaw, clean or batch the raw materials

- Raw material processing: process the batched raw materials, such as stirring (for fruit products), roasting (for coffee products), boiling (for grains products), or crushing and shaping (for condiments)

- Products inspection: screen and eliminate impurities and check against quality standards

- Packaging: label and pack the products

Logistics

Our self-operated warehouse system and dedicated delivery network are able to support the most extensive store network in China's freshly-made drinks industry. We have gained a competitive edge in managing logistics costs and efficiency, while consistently exceeding industry average in delivery time and quality. By effectively integrating DMS, OMS, WMS, TMS and BMS into our logistics system, we are able to precisely manage each end-of-line delivery through digital tools, which makes us one of the very few players in our industry capable of synchronizing goods flow, information flow, fund flow and logistics flow. See also "— Digitalization".

In 2014, we became the first in China's freshly-made drinks industry to build self-operated warehouse system. As of September 30, 2023, our warehouse system, which is the largest in the industry, comprised of 26 warehouses nationwide, totaling over 300,000 square meters. To support our overseas operations, we have established a local warehouse system, supported by 11 self-operated warehouses in four countries in Southeast Asia as of September 30, 2023, totaling approximately 66,000 square meters. We continuously invest in and explore automation and intelligent equipment to enhance operational efficiency and expand storage capacity. The measures we have implemented for this purpose include adopting automated vertical storage facilities such as stacker cranes and four-direction shuttle vehicles.

We provide delivery services primarily by collaborating with localized delivery service providers. These providers work with us in one integrated system, and we implement stringent quality control policies and requirements for these providers to ensure both timely delivery and the preservation of the quality and freshness of our products. Our delivery network has the broadest geographical coverage and the deepest penetration in lower-tier markets in the industry, spanning 31 provinces, autonomous regions and municipalities, nearly 300 cities, 1,700 counties and 3,100 towns across China as of September 30, 2023. As of the same date, we were capable of reaching over 90% of the county-level regions in China within 12 hours, and our cold chain logistics covered more than 90% of our store network in China. Our delivery network has also covered four overseas countries, including approximately 300 cities, as of September 30, 2023.

The following map illustrates the geographic coverage of our logistics system.

For illustrative purpose only, the map (Map Review Number (審圖號): GS(2021)5447) is presented to demonstrate our logistics system in China.

Research and Development

Overview

Our R&D efforts are focused on application R&D for product taste and recipes (i.e. front-end application R&D), as well as fundamental R&D for ingredient-related technologies, production techniques, recipes and equipment (i.e. back-end fundamental R&D). Our key R&D strengths lie in the seamless integration of both application and fundamental R&D, and synergetic R&D capabilities covering our seven ingredient categories, including products of syrups, milk, tea, coffee, fruit, grains and condiments. Therefore, we not only have the industry-leading research capabilities for core ingredients but also have the ability to continuously offer high-quality value-for-money products that cater to the latest consumer preferences.

Our R&D is led by our dedicated in-house team. As of September 30, 2023, we have 147 employees dedicated in application R&D and fundamental R&D. 35% of these R&D employees have master's or higher degrees. In addition, we encourage our franchisees to provide feedback and suggestions to facilitate our product development.

Application R&D

On the application R&D front, we make upgrades and innovations in our product recipes, taking into account current consumer preferences learned from our broad base of members and followers, store operations, supply chain capabilities, among others. In the nine months ended September 30, 2023, we launched 47 new products in total.

The development of our featured *Shake-Shake* "搖搖奶昔" series demonstrates our application R&D capabilities. We innovatively add tea ingredients to blend with ice cream and fruit, bringing a refreshing taste into the smoothie. To further create a unique drinking experience, we encourage consumers to shake the product in their own way. This creative shaking feature sells itself and becomes hot topics among consumers. Since its launch, *Shake-Shake* has been highly rated and among our best-selling items for years. In addition, the shaking feature streamlines the store drink-making process by saving time from stirring, and this series enhances the cross-utilization of our supply chain resources such as ice cream, fruit and tea.

Fundamental R&D

On the fundamental R&D front, we spearheaded the industry with multiple technological breakthroughs that significantly benefit our operations, such as the rapid-cooking technique for tapioca balls, the proprietary innovative production techniques of premium trans-free dairy-based powder, proprietary spray drying method for ice cream powder production and proprietary production methods for oat milk. We also develop equipment such as semi-automatic coffee machines, automated syrup dispensers, water heater and water purifier. In particular, we are the only industry player providing our franchisees with self-developed and self-produced semi-automatic coffee machines. Additionally, we have established joint laboratories and talent development bases in collaboration with research institutions such as Jiangnan University, Hainan University and Chinese Academy of Tropical Agricultural Sciences to strengthen our fundamental R&D capabilities.

Supply Chain Quality Control

We have implemented a stringent quality control system to maintain quality and food safety at every step of our supply chain. As of September 30, 2023, we have approximately 250 employees in supply chain quality control functions, among which the managers have an average of approximately nine years of food safety management and quality assurance related experience.

We have obtained ISO9001 quality management system certification, ISO22000 and FSSC22000 food safety management system certifications, HACCP hazard analysis certification and Halal certifications.

During the Track Record Period and as of the Latest Practicable Date, we had not encountered any product recall or experienced any customer complaints with respect to our product quality that would have material and adverse impact on our overall business operations.

Procurement Quality Control

Before we contract with any suppliers, they shall pass our stringent selection procedures, which include background and qualification checks, sample testing and trial production. Upon arrival of each batch of goods, quality control personnel inspect the protective measures, hygiene conditions, technical standard and safety standard to ensure compliance with our quality and food safety standards. In addition, we regularly evaluate our suppliers by periodic announced and unannounced inspections with respect to the quality and stability of raw materials supplied. To uphold our quality control and food safety standards, we also label the agricultural products procured with information of the source of origins and production bases, allowing for traceability.

Production Quality Control

In addition to complying with relevant laws and regulations regarding food safety, we also exercise strict quality control throughout the entire production process, from raw material inspection, pre-treatment, processing, products inspection to packaging. For example, we design our production plants in accordance with relevant guidelines, and our production plants and equipment are regularly cleaned and maintained by designated personnel with strict standards. All production personnel must undergo hygiene trainings and relevant technical trainings before assuming their roles. We also have a robust risk contingency plan to cope with any food safety issues occurred during the production process.

Warehousing Quality Control

We have established a Warehousing and Logistics Management Guideline with strict quality control measures in the warehousing process. To monitor the implementation of our guidelines in warehouses, the quality control team conducts inspections of products in storage from time to time.

We maintain our warehouses in clean, well-ventilated and organized conditions. Our warehouses typically have room temperature, cool temperature and freezing temperature storage, with daily monitoring of temperature and humidity according to the products' storage requirements.

Delivery Quality Control

We leverage the services of third-party logistics service providers to deliver store supplies and equipment across our vast store network and implement stringent quality control requirements to ensure the promptness and quality of delivery. In particular, we have stringent restrictions and requirements for the type of vehicles to be utilized, we require pre-loading vehicle cleaning to maintain dry and hygienic conditions and implement post-loading vehicle protection measures to prevent rain, moisture and excessive sun exposure.

Inventory Management

We employ a series of measures to manage our inventory turnover and reduce stockpiling and unnecessary procurements, which collectively ensure the cost-effectiveness. To manage our inventories, we make procurement and production plans based on demand forecast and existing inventory, considering safety inventory levels that address unpredictable demand fluctuations. We also improve the efficiency of inventory management through digitalized operations. For example, our WMS system facilitates warehouse cargo management and inventory management, through which we can achieve data-driven management of warehouse operations, enhancing efficiency and accuracy. See "— Digitalization".

MARKETING

We adopt omni-channel marketing strategy, covering both online and offline branding and marketing and leveraging our iconic IP, Snow King. For details of our iconic IP, see "— Our Brands and Products — Our Iconic IP – Snow King".

Online Marketing

Mixue Hashtags

Membership Program

IP Collaboration

Offline Marketing

The Ice Cream Music Festival

May 20 Couple's Day Campaign

Snow King Parade

National 4A Industrial Tourist Attraction

Online Marketing

Our online marketing campaigns are focused on popularizing and promoting our brand image across various social platforms. For example, Snow King has his own accounts on major social platforms in China to engage with his fans and to capture consumers' mind-shares for *Mixue*. As part of our online marketing campaigns, we create quality content that attracts viewers in various formats, such as social media posts and short videos. For example, as of the Latest Practicable Date, the hashtag #*Mixue* has garnered over 29.1 billion views on Douyin. To boost our marketing effectiveness, we launched co-branding and IP collaboration campaigns for Snow King with a variety of popular brands and IPs, such as Luo Tianyi and Eggy Party. With our channel resources and rich contents, we have been able to launch a series of impactful marketing campaigns and induce fans interactions online.

We have also established membership programs to better understand and engage with our consumers to cultivate brand loyalty. Registration for our membership programs is available through various channels, including our *Mixue* app, our Weixin and Alipay Mini Programs, as well as third-party online delivery platforms. We grant a variety of rewards to our members. Such membership programs allow us to encourage repeat purchases and strengthen the bonding between our brand and members. As of September 30, 2023, *Mixue* had approximately 215 million registered members, with approximately 38 million monthly active members in September 2023.

Offline Marketing

Our offline brand marketing meaningfully leverages the physical presence of our extensive store network. We frequently host Snow King parades and encourage consumers to take photos and participate in store activities, creating closer connections with them. Additionally, we organize various marketing events to amplify our brand's visibility. For instance, since 2019, we have hosted various Ice Cream Music Festivals, where we invite consumers to enjoy music and offer our freshly-made drinks while further promoting our iconic IP, Snow King. Our offline marketing initiatives also include inviting consumers to our production base in Henan, a National 4A Industrial Tourist Attraction, where they gain immersive experience about our production process in an open and transparent environment.

Online-Offline Integrated Marketing

With our popularity on social media and extensive store network easily accessible by our consumers, we are able to launch effective online-offline integrated events as part of our marketing efforts. In our online-offline integrated marketing efforts, we executed a "Tanned Snow King" marketing campaign in June 2022. During this campaign, Snow King images, both online and offline, adopted a tanned appearance to promote our new mulberry series products. This campaign resulted in the sale of approximately 22 million cups within the first month of launch. Additionally, in our *Mixue*'s May 20 Couple's Day campaign in 2023, we conducted various online and offline promotion events, resulting in a total online exposure of approximately 560 million times. On May 20, 2023, the GMV generated through our *Mixue* store network in China increased by 11.3% compared to the same day in the previous week.

DIGITALIZATION

Digitalization plays a key role in our operations, enhancing operational efficiency and contributing to our sustainable growth. Our digital infrastructure encompasses integrated digital management systems designed to support various key aspects of our business, including online ordering, store operations, supply chain and corporate management, among others.

Moreover, we directly interact with our consumers through our proprietary *Mixue* app and our Mini Programs on Weixin and Alipay, allowing us to accumulate first-hand consumer insights.

Online Ordering

Consumers can place online orders through various online channels such as our Weixin and Alipay Mini Programs, our *Mixue* app as well as third-party online delivery platforms. We enter into agreements with third-party online delivery platforms that set forth the unified standards for terms applied to delivery orders placed on such platforms for all of our stores. In the nine months ended September 30, 2023, 45.1% of our online orders were attributable to our Mini Programs and *Mixue* app.

Store Operations Digitalization

Our store operations are streamlined by our smart store solutions, which include digital tools such as *Mixue Housekeeper* system and *Mixue Go* ("蜜雪通") app.

For franchise management, our smart store solutions cover the key processes from franchise application to daily business operations. Franchisee applicants submit their qualifications and other information online for our review before signing the franchise agreement. Once they are onboarded, our smart store solutions facilitate various aspects of day-to-day operations, allowing franchisees to manage tasks like store supplies and equipment procurement within the system. For store operations management, franchisees can track and analyze their store performance through our smart store solutions, streamlining and digitizing their operations for efficiency and convenience.

Our smart store solutions also help us streamline the management of our store network. We digitalize our store-related work process, such as franchise agreement signing and site selection vetting. We oversee the lifecycle of our stores and accumulate invaluable know-how in site selection and store performance evaluation, among others.

Supply Chain Digitalization

We employ digital systems to manage our supply chain across key aspects, such as procurement, production, logistics, and inventory management.

- *Procurement.* Our SRM system handles supplier bidding, purchase orders, payments, returns and exchanges seamlessly. It optimizes our procurement procedures by accurately recording purchase orders, logistics notifications and financial settlement details, playing a pivotal role in monitoring and managing our suppliers and procurement processes.

- *Production.* Our digital systems that facilitate production primarily include MES, LMS and EMS.

  - Our MES system focuses on enhancing product quality stability, expanding production capacity, and establishing standardized production management processes.

  - Our LMS system, through the integration of intelligent equipment using IoT technology, streamlines our production with functions such as automated information collection and electronic dashboard management.

  - Our EMS system utilizes smart meters and leverages IoT technology to enable real-time information collection for factory utilities such as water, electricity, and gas. It automatically analyzes data, generates alerts, and reduces wastage, thereby facilitating transparent energy data management.

- *Logistics*. We integrate DMS, OMS, WMS, TMS and BMS into our logistics system to precisely manage each end-of-line delivery through digital tools.

  - The main functions of our DMS system include store-end ordering management, returns management, promotions management, among others. Through the application of the DMS system, we can achieve comprehensive management of store orders throughout the entire cycle.

  - The main functions of our OMS system include managing processes for upstream and downstream orders (such as order distribution and invoice printing). Through the application of the OMS system, we can achieve real-time global visibility of our inventory, and facilitating data circulation among the supply chain and various other business systems.

  - The main functions of our WMS system include warehouse cargo management and inventory management. Through the application of the WMS system, we can achieve digital management of warehouse operations, enhancing efficiency and accuracy.

  - o The main functions of our TMS system include vehicle management, route planning, order management, and distribution management. By using the TMS system, we gain control over delivery nodes and information visibility, which support our operations effectively.

  - o The main functions of our BMS system, the financial system for our supply chain, include billing management, accounts receivable management, accounts payable management, among others. Through the application of the BMS system, we can achieve digitalization of billing and settlement for our supply chain, integrating with our company-wide financial system.

- *Inventory Management.* Leveraging our digital systems, we dynamically analyze store sales and manage our procurement and production accordingly to optimize the inventory level in our supply chain.

Corporate Administration Digitalization

At the corporate level, we set up various digital systems to optimize our internal management, such as our financial management system, collaborative work system, business data analysis system, and training management system. At the store level, our store operations advisors can leverage the intelligent system to streamline their store check-in tasks. For example, store operations advisors can take photos and leave digital records, which are then submitted electronically. This process enhances standardization and improves overall efficiency.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

To achieve the vision of building respectable brands lasting for centuries, we attach high importance to critical matters of building future-proof business operations, including food safety and product quality, supply chain, store operations, and community engagement, which are also the key pillars of our ESG strategies. As a socially and environmentally responsible company, we further extend the reach of our initiatives and encourage our suppliers, franchisees and their store employees and consumers to join our efforts in sustainable development. We have proactively published our 2022 Corporate Social Responsibility report and continued to review and strengthen our practices in creating job opportunities, empowering farmers, promoting green development and advocating for social welfare.

Our Board bears the overarching responsibility for (i) our ESG strategies and objectives, (ii) the identification, assessment, and management of ESG-related issues (including risks to our business), and (iii) evaluation of progress made against ESG-related objectives, taking our overall business into consideration. We have established an ESG Committee to review and assess our ESG-related strategies, systems, work plans and risk management approaches. Our ESG Committee is chaired by Mr. Zhang Hongchao, our founder and chairman of the Board, with Mr. Zhang Hongfu, our co-founder and chief executive officer, as the vice chairman. The ESG Committee shall report to the Board regularly and on occasion as deemed appropriate, assisting the Board in carrying out their overarching responsibility for ESG matters.

To better implement our ESG strategies, we have also established an ESG Working Group, led by leaders of our various business functions, to formulate ESG-related work plans and risk management approaches, and to supervise the execution thereof. Our business departments are generally responsible for execution of ESG-related strategies and objectives.

In addition, we have engaged a reputable consulting firm to assist us in conducting a comprehensive ESG diagnosis on our business operations, as well as developing relevant ESG principles and actionable plan according to their review.

Environment

Green Supply Chain

Together with our suppliers, franchisees and other business partners along our value chain, we have implemented measures to reduce our energy and water consumptions, to lower greenhouse gas emissions and to manage our resources in the fields of procurement, production, logistics and R&D.

Green Procurements

We select and manage our suppliers with rigorous procedures, such as qualification checks and periodic inspections (see "— Our Supply Chain — Supply Chain Quality Control — Procurement Quality Control"). In assessing suppliers, we consider their sustainability practices and records, in areas such as environmental management, resources usage, sewage discharge and relevant certifications. 65% of our top 20 suppliers were under ISO14001 certification. We cooperate with suppliers who are at the forefront of sustainability with robust ESG policies. For example, our largest supplier has one of the lowest on-farm carbon footprints in the world. It has published climate roadmaps that take it towards an ambition to achieve carbon neutrality by 2050. One of our top dairy products suppliers has published climate plans with an aim to significantly reduce greenhouse gas emissions by 2030 and produce net climate-neutral dairy by no later than 2050. Additionally, it purchased 100% of key agricultural raw materials from sustainably managed sources in 2022. To promote animal welfare and health, it also requires quarterly reports for each individual dairy farm and ensures that certified veterinarians visit all of its member dairy farmers at least once a year. Moreover, we actively motivate our suppliers to improve their environmental practices. For example, we mandate pesticide residue testing and require inspection reports from the suppliers to monitor and control pesticide usage.

Further moving up along our supply chain, we support farmers with initiatives in sustainable practices. On March 12, 2023, Arbor Day, we launched the *Mixue* Shade Tree Project for coffee farmers in Yunnan, China. We, together with our franchisees, employees and consumers, devoted efforts in planting shade trees for coffee plantations. Such practices help improve biodiversity and thereby extend the economic lifespan of coffee plants. Products from the shade trees can also generate additional income for coffee farmers. This project aims to cover approximately 2.7 million square meters of coffee plantations in Yunnan. Since the launch of this project, 39,500 shade trees have been planted. In addition, to promote green farming practices, we plan to release our company standard for farming and provide relevant technical guidance to farmers.

Green Production

We are a leader in implementing green principles in production. Our primary production base, Henan production base, was named as Green Factory at national level by the Ministry of Industry and Information Technology of the PRC. It has also obtained ISO50001 certification on energy management and FSC certification. Moreover, we are currently upgrading our Guangxi production base with the goal of achieving carbon neutrality by 2025.

1. Energy Saving and Carbon Reduction

We have taken various green initiatives focused on energy saving and carbon reduction in production, including but not limited to the following:

- *Energy management*. We employ digital EMS system to monitor and analyze energy performance in production lines, which helps us optimize our energy usage and management. For our primary production base, we also set up a task force dedicated in green production, and we consider environmental practices when assessing performance of the relevant business departments.

- *Clean energy.* We utilize renewable biomass energy to generate electricity in our production bases, which have relatively high combustion efficiency and energy saving. Additionally, we equipped our primary production base with solar-powered lighting, which is estimated to result in annual electricity savings of approximately 9.9MWh.

- *Clean facilities.* We made green upgrades to our cooling towers in our primary production base that result in an estimated annual electricity savings of approximately 88.1MWh. Additionally, our coffee roasters employ continuous roasting technique, which increases the output per unit of time and therefore is estimated to reduce electricity consumption by approximately 93.6MWh annually, compared with intermittent roasting.

To further promote green energy and reduce carbon emissions, we have commenced to construct a 6.0 MW photovoltaic facility at our Henan production base and a 5.9 MW photovoltaic facility at our Guangxi production base. These facilities are expected to reduce carbon dioxide emissions by over 6,000 tons annually.

2. Wastewater Management

Our factories have also adopted various measures of wastewater management. Specifically, we monitor the wastewater discharge in our factories online on a real-time basis. In addition, we established wastewater recycling systems at our factories. The treated and recycled wastewater is used for road cleaning and other purposes, within the factory areas. This helps us significantly reduce the consumption of tap water throughout our production process of over 150,000 tons in 2022. Additionally, our factories are equipped with rainwater collection system on the ground and rooftops to gather and store rainwater to be recycled. The rainwater collection system is expected to contribute to annual water savings of over 20,000 tons.

3. Production Waste Reduction

We also made efforts to reduce waste in our production. With our state-of-the-art smart factories and intelligent production lines, our ingredient production maintained a depletion rate of 0.86% during the nine months ended September 30, 2023, which was significantly below the industry average according to CIC. Additionally, the solid waste overall recovery rate in our primary production base reached 93.0% in 2022.

Green Logistics

We aim to reduce the carbon footprint in the logistics process. By utilizing digital systems such as TMS, we improve the operational efficiency of our logistics, which in turn reduces our carbon emissions. Additionally, 100% of the forklifts used in our production and warehouse logistics are new energy-powered, which is estimated to reduce carbon dioxide emissions by approximately 455 tons annually, compared with using diesel-powered forklifts. We also utilize reusable pallets for transporting goods, therefore reducing waste of disposable pallets which are commonly adopted in the logistics industry. For the nine months ended September 30, 2023, we have utilized reusable pallets for approximately 739,000 turns, estimated to have saved approximately 37,000 trees compared with disposable wooden pallets.

For cold storage in our warehouse system, we use first-tier energy-efficient refrigeration equipment and environment-friendly refrigerants with zero ozone depletion potential (ODP). We also install high-speed doors and door seals to minimize air convection and prevent cold loss, further reducing energy consumed in cooling.

Green R&D

Starting from product development stage, we aim to systematically optimize the ingredient utilization and waste reduction in the drink preparation process. While ensuring the high quality and tastes of the drinks, we consciously refine our drinks recipes to increase the cross-utilization of ingredients across various products to reduce ingredient wastes.

Additionally, we have carefully analyzed the shelf lives of relevant ingredients and the expected daily sales volumes of freshly-made drinks made of those ingredients. Through this analysis, we designed the optimal packaging size for ingredients to avoid the use of excessively large ingredient packaging that may lead to waste or raise food safety concerns.

Green Store Operations

Environment-friendly Store Decoration

We employ a modular assembly approach and utilize environment-friendly materials in store decorations as part of our commitment to building environment-friendly stores. Our modular assembly approach facilitates easy assembly, disassembly and recycle, and eliminates onsite dust pollution. For example, prefab wall panels used in modular assembly can be easily recycled through crushing and remelting.

Energy Saving

We implement effective energy control measures throughout store operations. For instance, we require all of our *Mixue* stores in China to equip with LED lighting to reduce electricity consumption.

Sustainable Packaging

We adopt recyclable and degradable materials for our packaging materials to reduce consumables and enhance consumer awareness of environmental protection through labelling. For instance, our green packaging upgrades reduced PE plastics consumption by over 3,600 tons in 2022. We supply straws and bags used in our stores in China, of which 100% are environment-friendly and degradable. Additionally, in August 2023, we donated RMB15 million to Westlake University to support research on biodegradable plastics.

Coffee Grounds Recycling

We consider coffee ground treatment as one of the key aspects of our store-level waste management and launched a project across our *Lucky Cup* store network to encourage consumers to recycle coffee grounds. In this project, we provide recycling buckets for coffee grounds to our stores. Recycled coffee grounds can be repurposed as flower fertilizer or air purifiers.

Social

Job Creation and Farmer Empowerment

As the largest freshly-made drinks company in China, we are committed to growing with our communities. We take pride in being a key contributor to local economies by creating job opportunities across the value chain. As an industry leader, we embrace corporate responsibility by creating or supporting approximately 500,000 job opportunities in 2022 across the value chain, from upstream agricultural procurement to production, logistics and franchised stores, among which the majority of the store-level job opportunities were in lower-tier cities and counties in China.

In the area of rural revitalization, we strive to enhance well-being for farmers by helping them improve scientific cultivation capabilities, thereby improving quality and increasing productivity. For instance, we offer trainings and assistance in agricultural practices and provide necessary supplies to lemon farmers. We also provide technical guidance to coffee farmers onsite and offer practical toolkits to assist safe and efficient harvest. In addition, we help negotiate favorable terms for farmers to purchase farming supplies.

DE&I, Training and Development

We are committed to protecting employees' rights and dedicated to promoting diversity and equal opportunities in recruitment and retention. We aim to foster an inclusive workplace in which employees can freely explore their potentials, regardless of their background and demographics. As of the Latest Practicable Date, approximately 35% of our franchisees were female, and approximately 68% of our franchisees' store employees were female based on information provided by them.

Moreover, we have an effective training system, including orientation and continuous on-the-job training, to improve the knowledge and skill levels of our employees. To provide proper incentives for employees and assist them in developing their career, we take into account various factors in employee promotions, including alignment with our corporate culture, adherence to business ethics, and work performance. See also "— Employees".

To improve our franchisees' skills and support their continued drive for entrepreneurial success, we provide them with training programs in aspects of food safety management, store management, operations, among others. According to the CIC Survey, 99.3% of surveyed franchisees are satisfied with the trainings we provided. For the nine months ended September 30, 2023, our franchisees and store employees have participated in our offline training sessions over 170,000 times cumulatively. For details, see "— Our Store Operations — Training and Development".

Occupational Safety

We are committed to strictly complying with applicable laws, regulations and standards in different countries and regions related to workplace safety, providing a safe and healthy workplace for our employees. Our primary production base, Henan production base, has obtained ISO45001 for occupational health.

For our production in particular, we established a series of policies and procedures with respect to health and work safety, and we have a dedicated team led by an experienced manager to comprehensively oversee the health and safety aspects. To strengthen the employees' awareness and knowledge on production safety, we also conduct training sessions on applicable laws and regulations related to workplace safety, production safety procedures, among others.

Green Awareness and Lifestyle

We promote healthy lifestyles by providing freshly-made drinks which offer consumers fresher ingredients and a richer taste within the overall drinks market. Our consumers are also offered with healthy options for freshly-made drinks in sugar level, cup sizes, among others. We have also improved our production techniques and recipes catering to the trend of a healthy lifestyle, such as lowering calories and fat level in our drinks.

We strive to influence and drive stakeholders in our ecosystem to participate in climate action and contribute to a circular economy, starting from details. To maximize the value of packaging materials and reducing waste, we inspire our consumers to transform our designed reusable takeout bags into daily essentials, such as shopping bags and tissue cases. We also demonstrate our green commitment and promote green awareness by utilizing new energy vehicle to host tourists for sightseeing in our Henan production base, a National 4A Industrial Tourist Attraction. In addition, we design posters starring Snow King advocating for environment and health, which we post on major social platforms to arouse consumers' awareness of environmental protection.

Charity Endeavors

Our charity endeavors cover a spectrum of initiatives, ranging from donations to daily assistance for those in need.

- We donated RMB85.6 million in areas such as natural disaster relief, education assistance and environmental protection-related scientific research, during the Track Record Period. For example:

    - For natural disaster relief, we donated RMB34.8 million following the flood disaster in Zhengzhou in July 2021, and we donated RMB10.0 million following the typhoon disaster in Beijing and Hebei province in August 2023.

- o For education assistance, our *Mixue* Scholarship Program had contributed more than RMB6.5 million to various universities, supporting 649 students in 2022 and 2023; our donations to the Rural Children's Playground Charity Program have contributed to the construction of playgrounds for nine schools as of September 30, 2023.

- Leveraging our strong brand influence, we initiated a charity project by printing information about missing children on delivery bags and cup sleeves to help find these children.

- We launched the *Caring Tea* ("愛心茶") campaign, delivering *Mixue* products to sanitation workers. Sanitation workers were eligible to receive three cups of *Freshly-Squeezed Lemonade* per person per month, available at our store network in seven cities. During this campaign, we have provided over 210,000 cups of *Caring Tea* to sanitation workers.

Governance Practices

Board Governance

We believe that a strong corporate governance system is essential to making decisions that are professional, effective, and aligned with the long-term interest of all stakeholders. Our Directors possess diverse backgrounds and relevant experiences and skills that we deem as necessary to maintain effective, professional and independent operations of our business. Three of our seven Directors are female, and three of the seven Directors are independent non-executive Directors.

Food Safety Governance

Food safety and product quality management has always been our top priority in business operations. We have established a Food Safety Committee, chaired by Mr. Zhang Hongchao, our founder and chairman of the Board, and consisted of our core management. Our Food Safety Committee is tasked to (i) articulate our food safety policy framework, (ii) formulate our food safety strategies and objectives, (iii) design the organizational structure and management mechanism regarding food safety, and (iv) supervise and guide the food safety management across all aspects of our business operations. We regularly evaluate our suppliers by periodic announced and unannounced inspections with respect to the quality and stability of raw materials supplied. In addition, we employ a robust quality control system over operations of our stores, the vast majority of which are managed by our franchisees, ensuring consistent monitoring of food safety and other key aspects throughout the value chain. We have obtained ISO22000, FSSC22000 and HACCP certifications for food safety management. For details, see "— Our Store Operations — Store-Level Quality Control" and "— Our Supply Chain — Supply Chain Quality Control".

COMPETITION

The freshly-made drinks industry in China is highly competitive. For the nine months ended September 30, 2023, the top five companies in China's freshly-made drinks market in terms of GMV collectively accounted for approximately 33.3% of market share, and the top five companies in terms of number of cups sold collectively accounted for approximately 52.7% of market share, according to CIC. For the same period, we ranked first in China's freshly-made drinks market with a market share of approximately 11.2% in terms of GMV, or a market share of approximately 32.7% in terms of cups sold. We are faced with increasingly intense competition with other leading players in various aspects of our business, including product innovation, product quality, consumer experience as well as consumer acquisition and retention. See "Industry Overview".

If we fail to effectively compete with, or are out-competed by, the other leading players, we may experience a material and adverse impact on our results of operations, financial conditions and business prospects. See "Risk Factors — Risks relating to Our Business and Industry — Failure to compete effectively may materially and adversely affect our market share and profitability".

SEASONALITY

Our business is subject to seasonal fluctuations. For example, during the Track Record Period, we typically had higher sales of cold drinks in summer each year due to hot weather and the increased demands for drinking and cooling. This seasonal fluctuation is common in China's freshly-made drinks industry, according to CIC. For risks associated with this seasonality, see "Risk Factors — Risks Relating to Our Business and Industry — Our product sales and business operations are subject to seasonal fluctuations".

OUR CUSTOMERS

Our customers primarily include the franchisees who operate franchised stores pursuant to the franchise agreements with us. We generated the vast majority of our revenue from the sales of goods and equipment to franchised stores. To a much lesser extent, we also sell our products directly to retail customers through self-operated stores and e-commerce retail channels, and we sell certain goods and equipment to some corporate customers. All of our five largest customers during the Track Record Period are our franchisees. In 2021, 2022 and the nine months ended September 30, 2023, revenue from our five largest customers accounted for 1.9%, 1.4% and 1.2% of our total revenue for the respective periods. During the Track Record Period, we were not subject to any material customer concentration risk.

Third-party Payment Arrangements

Historically, some of our franchisees (individually or collectively, the "Relevant Franchisee(s)") settled their payments with our Group through accounts of third-party payors designated by these Relevant Franchisees at their requests (the "Third-Party Payment Arrangement(s)"). During the Track Record Period, third-party payors designated by the Relevant Franchisees primarily included their employees, spouses and other family members, friends, and business partners. Our Directors have confirmed that none of the third-party payors designated by the Relevant Franchisees during the Track Record Period is a connected person of our Group and such designated third-party payors are independent from any of our Group's Directors, senior management and Shareholders. For additional information, see also "Risk Factors — Risks Relating to Our Business and Industry — We are subject to various risks relating to third-party payment arrangements".

In 2021, 2022 and the nine months ended September 30, 2023, a total number of 5,595, 3,258, and 172 Relevant Franchisees in China utilized the Third-Party Payment Arrangements to settle payments with us, respectively. During the same periods, the aggregate amount of payments from their designated third-party payors was RMB451.0 million, RMB703.5 million, and RMB59.3 million, respectively, representing approximately 4.4%, 5.2% and 0.4% of our total revenue. Throughout the Track Record Period, no individual Relevant Franchisee in China made material contribution to our Group's revenue. To the best of our knowledge, certain overseas franchisees also utilized the Third-Party Payment Arrangements to settle payments with us during the Track Record Period. However, we were unable to ascertain the exact number of such Relevant Franchisees participating in these arrangements due to, among others, limited access to payors' information and other practical difficulties in relevant overseas market beyond our control.

As of November 29, 2023, our Group had ceased all the Third-Party Payment Arrangements. We believe that the termination of the Third-Party Payment Arrangements did not, nor is expected to, have any material and adverse effect on our business, results of operations and financial conditions.

To the best of our knowledge, the Relevant Franchisees requested to utilize the Third-Party Payment Arrangements to settle payments with us for convenience and flexibility. These Relevant Franchisees commonly opted for settlements through personal accounts held by designated third-party payors, such as their employees, spouses and other family members, friends, and business partners. As confirmed by CIC, it is not uncommon for franchisees to use third-party payors to settle corporate transactions with their suppliers due to convenience and flexibility.

Our Directors confirm that, during the Track Record Period, (i) our Group did not proactively initiate any Third-Party Payment Arrangement or participate in any other forms of such arrangement, (ii) our Group did not provide any discount, commission, rebate or other benefits to any of the Relevant Franchisees to facilitate or encourage the Third-Party Payment Arrangements, and (iii) the pricing and payment terms of the agreements we entered into with the Relevant Franchisees were in line with franchisees not involved in the Third-party Payment Arrangements.

Our Group engaged in communication with the Relevant Franchisees participating in the Third-Party Payment Arrangements during the Track Record Period, and confirmations have been obtained from substantially all of the Relevant Franchisees (the "Confirmations"), affirming that, among other things: (a) all settlements with our Group were backed by genuine transactions; (b) settlement amounts were consistent with the relevant transaction amounts; (c) there were no instances of commercial bribery, money laundering, tax evasion, or existing or potential disputes with our Group related to the Third-Party Payment Arrangements; (d) each of the Relevant Franchisees and their designated third-party payors has neither claimed nor will claim any interests regarding payments made to our Group through the Third-Party Payment Arrangements; and (e) our Group is not bound by any agreement of rights and obligations relating to the Third-Party Payment Arrangements between the Relevant Franchisees and their designated third-party payors, and any associated risks are to be borne by the Relevant Franchisees and their designated third-party payors, not our Group.

Based on the foregoing, our PRC Legal Advisor has advised us that, (i) the Third-Party Payment Arrangements do not violate any mandatory provisions of applicable laws or regulations in China; and (ii) considering that (x) the Confirmations have been obtained from substantially all of the Relevant Franchisees participating in the Third-Party Payment Arrangements in China during the Track Record Period, and (y) during the Track Record Period and up to the Latest Practicable Date, we were not requested to refund funds, and to the best of our knowledge, there was no actual or pending dispute or disagreement involving any Third-Party Payment Arrangements, as to the parties who have provided the Confirmations mentioned above, the risk that we are found obligated to return the funds is remote. After consulting with local counsel in major overseas markets where our Group operates, our Directors believe that the Third-Party Payment Arrangements in these overseas markets did not violate any mandatory provisions of applicable laws or regulations during the Track Record Period, and accordingly, the associated risks are remote. Based on the foregoing, and considering that our overseas revenue constituted an immaterial portion of our total revenue throughout the Track Record Period, our Directors are of the view that the presence of the Third-Party Payment Arrangements in the overseas markets has not resulted in, nor is expected to, result in a material and adverse effect on our business, results of operations and financial conditions.

We have enhanced our internal control to manage the risks associated with the Third-Party Payment Arrangements, including:

(i) requiring all of our existing franchisees to settle payments with us through their own bank accounts, and no third-party payors would be allowed;

(ii) contractually mandating settlement through franchisees' own bank accounts, which is applicable to any new franchisees or franchise renewals in the future;

(iii) developing and maintaining a whitelist of permitted bank accounts in China, which includes only the bank accounts belonging to individual franchisees or franchisee entities, as applicable, who executed the relevant franchise agreements, upon review by our dedicated finance and internal control teams. In the event a franchisee initiates a payment request, the payment will go through only if the paying account is on our whitelist of permitted bank accounts; and

(iv) implementing internal control measures to ensure franchisees' compliance with our payment settlement requirements such as requiring franchisees to confirm the use of their own bank accounts for payment settlement for each order placed in our system, and assigning dedicated employees to conduct periodic inspections to assess the effectiveness of our internal control system, including rectification of Third-Party Payment Arrangements.

Based on the follow-up review of the implementation of these measures, our Directors are of the view that these measures are effective and adequate in preventing unauthorized Third-Party Payment Arrangements and the associated risks. Going forward, our Directors will continue to oversee the effectiveness of the aforementioned enhanced internal control on the Third-Party Payment Arrangements.

OUR SUPPLIERS

Our suppliers primarily include the suppliers of raw materials to support our production, such as food commodities, agricultural products and other auxiliary materials. See also "— Our Supply Chain — Procurement". In 2021, 2022 and the nine months ended September 30, 2023, purchases from our five largest suppliers accounted for 19.3%, 16.6% and 17.2% of total purchases for the respective periods. During the same periods, purchases from our largest supplier accounted for 5.0%, 4.6% and 6.2% of our total purchases, respectively.

Rank	Supplier	Type of products purchased	Background	Year of commencement of business relationship	Purchase amount	Percentage of total purchase
					RMB'000	*%*
For the year ended December 31, 2021						
1 . . .	Supplier A	Food ingredients	A company providing food and beverage products	2015	426,084	5.0
2 . . .	Supplier B	Food ingredients	A company providing food and beverage products	2019	399,567	4.7
3 . . .	Supplier C	Food ingredients	A company headquartered in Netherland that produces dairy products	2017	292,374	3.4
4 . . .	Supplier D	Packaging materials	A company producing food packaging containers	2014	275,242	3.2
5 . . .	Supplier E	Food ingredients	A company providing food and beverage products	2017	257,943	3.0
				Total	**1,651,210**	**19.3**

Rank	Supplier	Type of products purchased	Background	Year of commencement of business relationship	Purchase amount	Percentage of total purchase
					RMB'000	*%*
For the year ended December 31, 2022						
1 . . .	Supplier A	Food ingredients	A company providing food and beverage products	2015	510,452	4.6
2 . . .	Supplier E	Food ingredients	A company providing food and beverage products	2017	422,717	3.8
3 . . .	Supplier C	Food ingredients	A company headquartered in Netherland that produces dairy products	2017	405,578	3.6
4 . . .	Supplier F	Food ingredients	A company providing food and beverage products	2020	264,428	2.4
5 . . .	Supplier D	Packaging materials	A company producing food packaging containers	2014	245,436	2.2
				Total	**1,848,611**	**16.6**

Rank	Supplier	Type of products purchased	Background	Year of commencement of business relationship	Purchase amount	Percentage of total purchase
					RMB'000	*%*
For the nine months ended September 30, 2023						
1 . . .	Supplier G	Food ingredients	A company headquartered in New Zealand that produces dairy products.	2020	819,409	6.2
2 . . .	Supplier A	Food ingredients	A company providing food and beverage products	2015	410,412	3.1
3 . . .	Supplier F	Food ingredients	A company providing food and beverage products	2020	391,324	2.9
4 . . .	Supplier E	Food ingredients	A company providing food and beverage products	2017	381,069	2.9
5 . . .	Supplier C	Food ingredients	A company headquartered in Netherland that produces dairy products	2017	292,372	2.1
				Total	**2,294,586**	**17.2**

During the Track Record Period and up to the Latest Practicable Date, to the knowledge of our Directors, none of our Directors and their respective associates or any of our Shareholders who held more than 5% of our issued share capital had any interest in our five largest suppliers.

USER PRIVACY AND DATA SECURITY

In the ordinary course of business, we from time to time collect, store and use certain personal information of our employees, franchisees and their employees, consumers and other individuals, such as (i) when consumers place online orders through our online applications, such as our *Mixue* app and our Mini Programs on Weixin and Alipay, we may collect their account names, phone numbers, transaction information and other information, (ii) during the franchisee onboarding process, we collect franchisees' basic information, such as their names, ID numbers, phone numbers, e-mail address and bank account information.

We strictly follow the relevant laws and regulations in collecting the personal information of our employees, franchisees and their employees, consumers and other individuals, and we continuously improve our practices in personal information protection by internal inspections, supervision, review and other measures to ensure maximum protection of personal information. For details on our risks associated with the protection of personal information, see "Risk Factors — Risks Relating to Our Business and Industry — Regulatory requirements regarding data protection and information security are constantly evolving, the changes of which or any data protection and information security incidents may have a material and adverse effect on our business and results of operations".

To ensure proper and sufficient protection for user privacy and data security, we have implemented the following measures in our daily operations.

- We have formed an information security leadership team that exercises general oversight of cybersecurity matters and delegates daily supervision to the information security working group, who assumes the overall responsibility for daily information security, system administration, network administration, database administration and document management.

- We have established comprehensive internal data security and protection protocols, encompassing information security management system, security management organization, personnel security management, system construction, system operation and maintenance, among others.

- We have implemented detailed measures for personal information and privacy protection, including notifying consumers and securing their consent for the collection and use of their personal information.

- Our information technology center is responsible for information security training for all personnel, including security awareness training, technical training and management training.

During the Track Record Period and as of the Latest Practicable Date, we had complied with applicable laws and regulations relating to user privacy and data security in material aspects. Given that legislation and law enforcement in the PRC on user privacy and data security are still evolving, we will closely monitor further regulatory developments and take appropriate measures in a timely manner.

PROPERTIES

Our headquarters are located in Zhengzhou, China. We occupy certain properties in China and overseas in connection with our business operations.

As of September 30, 2023, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (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 requires a valuation report with respect to all of our interests in land or buildings.

Owned Properties

As of the Latest Practicable Date, we owned 44 properties with an aggregate floor area of approximately 414,099 square meters, which is primarily used for office, production and warehousing spaces in China.

Leased Properties

As of the Latest Practicable Date, we leased 129 properties with an aggregate floor area of approximately 306,511 square meters from third parties, mainly for our self-operated stores, office spaces, production and warehousing facilities in China.

As of the Latest Practicable Date, we leased 46 properties with an aggregate floor area of approximately 78,177 square meters from third parties, mainly for our warehousing facilities and office spaces overseas.

Leased Properties with Title Defects

Certain of the properties leased by us have title defects due to various reasons. As of the Latest Practicable Date, for 39 leased properties mainly used for warehousing, office spaces and self-operated stores with an aggregate floor area of approximately 24,109 square meters, accounting for less than 8% of the total gross floor area of our leased properties in the PRC, the lessors with whom we enter into lease agreements did not provide the valid property ownership certificates or authorizations from the property owners for the lessors to sublease the properties, hence we cannot ensure that they have the rights or authorizations to lease or sublease such properties to us. As of the Latest Practicable Date, for two leased properties used as our office and self-operated stores with an aggregate floor area of approximately 382 square meters, accounting for approximately 0.1% of the total gross floor area of our leased properties in the PRC, are used in a manner not consistent with the respective planned property usage contained in the respective property ownership certificates. The relevant lease agreements might be deemed invalid and unenforceable.

As advised by our PRC Legal Advisor, it is the relevant lessors' responsibility to comply with the relevant requirements, such as to obtain the relevant ownership certificates or authorizations and to ensure the actual usage of the property shall comply with the planned usage of the property and the land. Without ownership certificates or authorizations from the property owners, our use of these leased properties may be affected by third parties' claims or challenges against the lease rights. If the lessors do not have the requisite rights to lease the properties, we may be required to vacate from these properties. Any failure to ensure consistent use of the property with the planned usage of the property and the land may subject the relevant lessors to penalties imposed by the land administrative authorities, construction administrative authorities or planning authorities, and the lease agreements may be deemed invalid and unenforceable in accordance with the relevant laws and regulations. As a tenant, we are not subject to any administrative punishment or penalties under relevant laws and regulations.

As advised by our PRC Legal Advisor, in respect of the inconsistent use of two of our leased properties with the intended purpose contained in the property ownership certificate, we may face challenges from the government authorities regarding our right to continue use the premises. However, during the Track Record Period and as of the Latest Practicable Date, we are not aware of any claim made by the government authority that might affect our current occupation of such leased property.

Nonetheless, even if we are required to vacate from the property under the foregoing circumstances, we would be able to relocate the leased property in a timely manner without incurring significant costs, given that (i) there are alternative properties at comparable rental rates on the market, and (ii) most of our equipment at such leased properties is easy to move, and the relocation process will not have a material and adverse impact on our business and operations.

During the Track Record Period and up to the Latest Practicable Date, our leases for the leased properties with title defects were not challenged by third parties or relevant authorities that had resulted or involved us as the defendant in disputes, lawsuits or claims in connection with the rights to lease and use such properties occupied by us. After the expiration of these lease agreements, we will evaluate the legal risks associated with their renewal. In light of the nature of the title defects mentioned above, should these issues prevent the continued use of the leased properties, we anticipate being able to promptly locate suitable alternative premises without incurring significant losses. This is made feasible by the limited number of properties affected by title defects, and it is not expected to substantially disrupt our operations. Our Directors are of the opinion that these title defects will not have a materially adverse impact on our business, operations, or financial results.

Lease Registration and Filing

As of the Latest Practicable Date, 107 lease agreements had not been registered and filed with the relevant land and real estate administration bureaus in the PRC because the relevant lessors failed to provide necessary documents for us to register and file the leases with the local government authorities.

As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in us being required to vacate the leased properties. However, the relevant government authorities may order us to complete registration or filing formalities and may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered agreement due to our failure to complete such registration or filing in prescribed period. Based on the number of these properties and the cities where they are located, we believe the likelihood that we will be punished due to failure to register and file all the relevant lease agreements at the same time is very remote.

For risks regarding our leased properties, see "Risk Factors — Risks Relating to Our Business and Industry — We and our franchisees are subject to risks in relation to leased properties".

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had registered 98 patents, 175 copyrights and 14 domain names in China, and we had registered 2,342 trademarks globally, including 2,036 trademarks in China. For details, see "Appendix IV — Statutory and General Information — Further Information about Our Business — Intellectual Property Rights".

As our brand names are becoming increasingly more recognized among consumers in China and overseas, we believe that protecting our intellectual property rights are of significant importance for our business operations, branding and reputation. We seek to protect our intellectual property rights by registration of patents, trade secret protection and confidentiality agreements executed with core employees and other third parties, among others.

As of the Latest Practicable Date, we did not have any outstanding material proceedings in connection with infringement of intellectual property rights sued by any third party. We were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. However, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. See "Risk Factors — Risks Relating to Our Business and Industry — If we are not able to adequately protect our intellectual properties, or if we are not able to maintain the popularity of our IPs, such as our iconic IP, Snow King, our business will be materially and adversely affected" and "Risk Factors — Risks Relating to Our Business and Industry — We may infringe upon, misappropriate or otherwise violate the intellectual property rights of third parties" for details.

EMPLOYEES

As of September 30, 2023, we had a total number of 6,490 full-time employees. The following tables set forth our full-time employees by functions and geographical locations as of September 30, 2023.

Function	Number of employees	Percentage of total employees
Supply chain	2,678	41.3
Store operations and management	2,102	32.4
General and administration	1,120	17.2
Branding and marketing	351	5.4
Application and fundamental R&D	147	2.3
Digitalization	92	1.4
Total	**6,490**	**100.0**

Location	Number of employees	Percentage of total employees
China	6,133	94.5
Overseas	357	5.5
Total	**6,490**	**100.0**

We believe that our success depends in part on our ability to attract, recruit and retain quality employees. We enter into individual employment contracts and confidentiality agreements with our employees. The employment contracts cover matters such as wages, benefits and grounds for termination. We have formed a labor union to protect our employees' rights and encourage employees to participate in our management decisions.

We provide our employees with opportunities to develop their knowledge and skills. We have an effective training system, including orientation and continuous on-the-job training, to improve the knowledge and skill levels of our workforce. The orientation process for newly joined employees covers subjects such as corporate culture and policies, introduction to our business and daily operation process. Our periodic on-the-job training covers subjects from day-to-day operation to general management skills, in order to enhance their professional capabilities.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there were no material labor disputes or strikes that would have a material and adverse effect on our business, financial conditions or results of operations.

INSURANCE

Our primary insurance policies include: (i) property insurances covering major business interruptions and accidental loss for our fixed assets and inventories, (ii) employer liability insurance, and (iii) personal accident insurance and health insurance for our key employees. Our Directors believe that our insurance coverage is in line with industry practice and standard business practices of relevant countries. For risks associated with the insurance coverage, see "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may not be sufficient, which may have a material and adverse effect on our reputation, results of operations, financial performance and business prospects".

COMPLIANCE AND LEGAL PROCEEDINGS

From time to time, we may encounter a range of legal or administrative claims and proceedings in the regular course of our operations, which may be due to matters such as employment, copyrights, or contract disputes. During the Track Record Period and as of the Latest Practicable Date, we have not been party to any significant legal, arbitral, administrative proceedings, or non-compliance incidents that resulted in administrative penalties, which could, individually or collectively, have a material and adverse impact on our business. Our

Directors are of the view that, we had complied, in all material respects, with all relevant laws and regulations during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, we have obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations.

Social Insurance and Housing Provident Funds

Background

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. In addition, we engaged a third-party human resource agency to pay social insurance and housing provident funds for a small number of our employees during the Track Record Period, which has been rectified in all material respect.

Potential Legal Consequences

For the shortfall of social insurance, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount, and (ii) to pay a fine of one to three times of the overdue amount if such payment is not made within the stipulated period. For the shortfall of housing provident funds, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period, and (ii) an application may be made to the courts for compulsory enforcement if the payment is not made within such time limit.

We might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant authorities if the third-party human resource agency failed to pay the social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner, or if the validity of such arrangements are challenged by relevant authorities. We might also be subject to potential labor disputes arising from such arrangements with the relevant employees.

Latest Status and Remedial Measures

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order to settle the deficit amount. As of the Latest Practicable Date, we were not aware of any material complaint filed by any of our employees regarding our social insurance and housing provident fund policy.

Our Directors believe that such shortfall of social insurance and housing provident funds would not have a material and adverse effect on our business and results of operations, considering that: (i) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iii) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (iv) if the relevant authorities order us to pay the outstanding social insurance and/or housing provident funds or take rectification measures in accordance with applicable laws and regulations, we will make such payments or make such rectification measures promptly within the specified period; and (v) as advised by our PRC Legal Advisor, considering the relevant regulatory policies, regulatory confirmations and the facts as mentioned above, in the absence of employees' complaints, the likelihood that we are subject to material administrative penalties due to our failure to make full contribution of social insurance and housing provident funds during the Track Record Period is remote.

We have taken the following internal control enhancement measures relating to social insurance and housing provident funds contributions:

- We have designated our human resources center to monitor the reporting and contributions of social insurance and housing provident funds;

- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments; and

- We will actively communicate with relevant social insurance and housing fund local authorities to ensure we have the most updated information about the relevant laws and regulations concerning social insurance and housing fund. If the relevant authorities order us to pay the outstanding social insurance and/or housing provident funds or take any rectification measures in accordance with applicable laws and regulations, we undertake to make such payments or take such rectification measures promptly within the specified period.

See also "Risk Factors — Risks Relating to Our Business and Industry — We may be required to pay the outstanding amount of contributions of social insurance and housing provident funds and are subject to late payment fees and fines imposed by relevant governmental authorities".

RISK MANAGEMENT AND INTERNAL CONTROL

We have developed and implemented risk management policies and internal control measures in relation to our business operations, financial reporting and general compliance. To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted and will adopt, among other things, the following risk management measures.

- We design a comprehensive set of policies to identify, analyze, manage and monitor various risks. We periodically assess and update our risk management policies.

- Our Board is responsible for overseeing the overall risk management and internal control. Our Audit Committee is authorized to review and evaluate our financial control, risk management and internal control system. See "Directors, Supervisors and Senior Management — Board Committees — Audit Committee" for the composition of the Audit Committee and the qualifications and experience of them.

- We will adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to conflict of interest management, connected transactions and information disclosure.

- We will continue to organize training sessions for our Directors and senior management with respect to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

Anti-Corruption Compliance Measures

A robust collection of anti-corruption policies and procedures plays a crucial role in upholding the integrity of our quality control, supply chain management, and franchisee management, among others. For example, we unequivocally forbid the acceptance of gifts, discounts, kickbacks, and any supplementary benefits, which encompass but are not restricted to travel and other forms of entertainment, both directly and indirectly. We have also established a whistle-blower program, wherein we encourage our employees, franchisees and other third parties to report instances of bribery directly to our disciplinary department.

BOARD OF DIRECTORS

The Board consists of seven Directors, including four executive Directors and three independent non-executive Directors. Pursuant to the Articles of Association, our Directors are elected and appointed by our Shareholders at a Shareholders' meeting for a term of three years, which is renewable upon re-election and re-appointment.

The following table sets forth the key information about our Directors:

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Responsibilities
Executive Directors					
Mr. Zhang Hongchao (張紅超)	47	Chairman of the Board and executive Director	1997	April 30, 2008	In charge of our strategies and corporate culture
Mr. Zhang Hongfu (張紅甫)	39	Executive Director and chief executive officer	2007	January 7, 2019	In charge of our overall operations and management as well as leading our senior management team
Ms. Cai Weimiao (蔡衛淼)	35	Executive Director and head of front-end supply chain	2008	December 18, 2023	In charge of the procurement of store supplies and equipment, logistics, front-end application R&D and the quality control of the above matters
Ms. Zhao Hongguo (趙紅果)	35	Executive Director and head of back-end supply chain	2013	December 18, 2023	In charge of the procurement of raw materials, production, back-end fundamental R&D and the quality control of the above matters

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Director	Responsibilities
Independent Non-executive Directors					
Ms. Poon Philana Wai Yin (潘慧妍)	56	Independent non-executive Director	December 18, 2023	December 18, 2023	Responsible for providing independent opinion and judgment to the Board
Mr. Chu Gary Hsi (朱璽)	64	Independent non-executive Director	December 18, 2023	December 18, 2023	Responsible for providing independent opinion and judgment to the Board
Mr. Huang Sidney Xuande (黃宣德)	58	Independent non-executive Director	December 18, 2023	December 18, 2023	Responsible for providing independent opinion and judgment to the Board

Executive Directors

Mr. Zhang Hongchao (張紅超), aged 47, is our founder and chairman of the Board. Mr. Zhang Hongchao is in charge of our strategies and corporate culture.

Mr. Zhang Hongchao has over 26 years of experience in the freshly-made drinks industry. Mr. Zhang Hongchao commenced operations of our business in 1997 and leads our development from a small store named *Coldsnap Shaved Ice* "寒流刨冰" to a world-leading freshly-made drinks company. Benefiting from his adherence to our core values and long-term development strategies, Mr. Zhang Hongchao led our achievement of a series of significant milestones, including the establishment of our brand name "蜜雪冰城" (Mi Xue Bing Cheng), the introduction of various signature products such as *Fresh Ice Cream* and *Freshly-Squeezed Lemonade*, as well as building our end-to-end supply chain. Along with our development, Mr. Zhang Hongchao has been promoting and shaping our core values of sincere people, genuine hearts and authentic products, as well as a corporate culture rooted in authenticity.

Mr. Zhang Hongchao graduated from Henan University of Economics and Law (formerly known as Henan Economics and Finance College) in June 1998, majoring in secretarial affairs. He is currently pursuing an executive master's degree in business administration at Cheung Kong Graduate School of Business.

Mr. Zhang Hongfu (張紅甫), aged 39, is our co-founder and chief executive officer. Mr. Zhang Hongfu is in charge of our overall operations and management as well as leading our senior management team.

Mr. Zhang Hongfu has over 16 years of experience in the freshly-made drinks industry. Mr. Zhang Hongfu joined us in 2007. Leveraging his successful first-hand experience in operating stores, Mr. Zhang Hongfu formulated a standardized system for store operations and management, which we subsequently rolled out through a franchise model. Along with his long-term leadership and promotion of our business development, Mr. Zhang Hongfu continued to build and solidify our core capabilities covering brand building, store operations, marketing and product management.

Mr. Zhang Hongfu is currently pursuing a doctor's degree in business administration at Cheung Kong Graduate School of Business.

Ms. Cai Weimiao (蔡衛淼), aged 35, is our executive Director and head of front-end supply chain.

Ms. Cai is a homegrown key executive of our Group. Ms. Cai joined us in 2008 as a store employee and she was subsequently promoted to a store manager, during which she accumulated extensive experience in the front lines of our stores through participation in the management and operations of several stores. In 2012, Ms. Cai started to be in charge of the procurement of store supplies and equipment. From 2021 to 2023, Ms. Cai was our head of logistics, playing a key role in the development and enhancement of our supply chain. Since 2023, Ms. Cai, as our head of front-end supply chain, is primarily responsible for the procurement of store supplies and equipment, logistics, front-end application R&D and the quality control of the above matters.

Ms. Zhao Hongguo (趙紅果), aged 35, is our executive Director and head of back-end supply chain.

Ms. Zhao is a homegrown key executive of our Group. Ms. Zhao joined us in 2013 as a store employee and she was subsequently promoted to a store manager, during which she accumulated extensive experience in the front lines of our operations. She participated in the operations of various departments in our Group successively, including finance, administration, procurement and production. Since 2015, Ms. Zhao has been in charge of the procurement of raw materials, production, back-end fundamental R&D and the quality control of the above matters, and playing a key role in the planning and construction of our production bases and the establishment and improvement of our production policies.

In 2023, Ms. Zhao began serving as a representative of the 14th National People's Congress.

Independent Non-executive Directors

Ms. Poon Philana Wai Yin (潘慧妍), aged 56, is our independent non-executive Director. She is primarily responsible for providing independent opinion and judgment to the Board.

With an education background in law, Ms. Poon has around 30 years of post-qualification experience both in-house and in private practice. In 2014, she was named by Asian Legal Business as Hong Kong's In-House Lawyer of the Year. In 2016, she was named by Asian Legal Business as Hong Kong's Woman Lawyer of the Year. In 2017, Ms. Poon and her legal and compliance team in The Hong Kong Jockey Club ("HKJC") was named as In-House Team of the Year (under 50 Lawyers) in Euromoney Legal Media Group's Asian Women in Business Law Awards.

From 2015 to 2020, Ms. Poon was the executive director of legal and compliance of HKJC. She was a member of HKJC's board of management as well as the company secretary of HKJC. From 1998 to 2015, Ms. Poon held various senior positions within the PCCW Group including group general counsel and company secretary. She has a wealth of experience in the telecommunications, media and information technology industries, as well as in the areas of mergers and acquisitions, corporate finance, corporate governance and advising on matters relating to the Listing Rules and the Securities and Futures Ordinance. Before joining PCCW Group, Ms. Poon worked in various law firms from 1992 to 1998, including Lovells and Baker & McKenzie.

Ms. Poon was an independent non-executive director of Asia Satellite Telecommunications Holdings Limited ("AsiaSat", a company then listed on the Hong Kong Stock Exchange, stock code: 1135) from March 2018 to September 2019, and is currently a non-executive director of AsiaSat, a position she has held since its privatization in September 2019. She was also an independent non-executive director of Forgame Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 0484) from September 2013 to May 2018, and an independent non-executive director of AZ Electronic Materials S.A. (a company listed on the London Stock Exchange, stock ticker: AZEM) from 2012 to 2014.

Ms. Poon obtained a doctor of law degree from Cornell University in May 1992 and a bachelor's degree in commerce from the University of Toronto in November 1989.

Mr. Chu Gary Hsi (朱璽), aged 64, is our independent non-executive Director. He is primarily responsible for providing independent opinion and judgment to the Board.

Mr. Chu has more than 30 years of experience with pivotal roles played in the consumer sector, especially in the food and beverage and catering industries, as well as in the finance and investment areas. During his almost 20 years services at General Mills, Inc. ("General Mills", a company listed on the New York Stock Exchange, symbol: GIS), Mr. Chu led General Mills' business in Greater China region managing a wide spectrum of brands including Häagen-Dazs, Wanchai Ferry, V.PEARL, Yoplait, Green Giant, Bugles and Trix. In particular, Mr. Chu led the development of global brands like Häagen-Dazs in China, where he subsequently transformed

Häagen-Dazs into diversified and omni-channel operations with an extensive store network. Additionally, Mr. Chu promoted the development of local brands such as Wanchai Ferry. With such rich experience in successfully incubating, operating and managing consumer brands in China, Mr. Chu has expertise and insights not only in store operations, channel management, brand building and marketing, but also in supply chain management including the development of centralized factories. Mr. Chu also has in-depth knowledge and extensive experience in mergers and acquisitions and investments.

Mr. Chu joined Tiantu Capital in July 2017 and is currently a managing partner of Tiantu Capital where he is in charge of the mergers, acquisitions and buyout department. Mr. Chu worked in General Mills from 1998 to 2017, joining as its first managing director responsible for launching its business in China, with his last position as General Mills' global senior vice president and its president of Greater China. Before joining General Mills, Mr. Chu worked in Bristol Myers Squibb in China since 1993, having assumed various positions including head of finance and business development with his last position as senior director of sales in China.

Mr. Chu obtained an executive master's degree in business administration from Peking University in July 2010 and a bachelor's degree in finance from Rutgers University in the United States in May 1985. Mr. Chu was qualified as a certified public accountant in the State of Maryland in the United States in June 1990.

Mr. Huang Sidney Xuande (黃宣德), aged 58, is our independent non-executive Director. He is primarily responsible for providing independent opinion and judgment to the Board.

Mr. Huang has over 25 years of experience through various positions in a wide range of industries including finance, technology and internet. He is currently a senior advisor of JD.com, Inc. (a company listed on the Nasdaq, symbol: JD, and secondary listed on the Hong Kong Stock Exchange, stock code: 9618) and was its chief financial officer from September 2013 until his retirement in September 2020, including the last three months as an executive coach to his successor.

Prior to joining JD.com, Inc., Mr. Huang had served multiple top management roles for VanceInfo Technologies Inc., including its co-president, chief operating officer and chief financial officer as well as the chief financial officer of its successor company, Pactera Technology International Ltd., after the merger in 2012. He was an investment banker at Citigroup Global Markets Inc. in New York from August 2002 to July 2004. He held various positions including audit manager at KPMG LLP from January 1997 to August 2000.

He has been an independent non-executive director of Kuaishou Technology (a company listed on the Hong Kong Stock Exchange, stock code: 1024) since February 2021, an independent non-executive director of Tuya Inc. (a company listed on the New York Stock Exchange, symbol: TUYA, and dual primary listed on the Hong Kong Stock Exchange, stock code: 2391) since July 2022 and an independent director of Yatsen Holding Limited (a company listed on the New York Stock Exchange, symbol: YSG) since November 2020. Mr. Huang was a director of Bitauto Holdings Limited (a company then listed on the New York Stock Exchange and privatized in November 2020) from November 2010 to August 2020.

Mr. Huang is currently a Foundation Fellow at St Antony's College of the University of Oxford where he was an Academic Visitor focusing on geoeconomics from October 2021 to September 2022. He obtained a master's degree in business administration from the J.L. Kellogg School of Management at Northwestern University in the United States in June 2002 and a bachelor's degree in accounting from Bernard M. Baruch College of The City University of New York in the United States in February 1997. Mr. Huang was qualified as a certified public accountant in the State of New York in the United States in October 1999.

SUPERVISORY COMMITTEE

The Supervisory Committee comprises three members. Our Supervisors serve a term of three years and may be re-elected for successive reappointments. The functions and duties of the Supervisory Committee include supervising the performance of duty of the Board and the senior management of our Company and overseeing the financial conditions of our Company.

The following table sets out the key information about our Supervisors:

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Supervisor	Responsibilities
Ms. Cui Haijing (崔海靜)	37	Chairlady of the Supervisory Committee	2009	December 18, 2023	Responsible for monitoring the performance of the Directors and senior management
Ms. Yu Min (于敏)	34	Employee representative Supervisor	2014	June 10, 2021	Responsible for monitoring the performance of the Directors and senior management
Mr. Sun Jiantao (孫建濤)	36	Supervisor	2010	December 18, 2023	Responsible for monitoring the performance of the Directors and senior management

Ms. Cui Haijing (崔海靜), aged 37, is the chairlady of our Supervisory Committee. Ms. Cui is primarily responsible for monitoring the performance of the Directors and senior management. Ms. Cui is also serving as a supervisor in certain subsidiaries of our Group.

Ms. Cui joined us in 2009. Ms. Cui held various key positions and is currently one of the department managers of our finance center.

Ms. Cui obtained an associate degree in computerized accounting from Henan University of Animal Husbandry and Economy (formerly known as Henan Higher Commercial College) in July 2007.

Ms. Yu Min (于敏), aged 34, is our employee representative Supervisor. Ms. Yu is primarily responsible for monitoring the performance of the Directors and senior management. Ms. Yu is also serving as a supervisor in certain subsidiaries of our Group.

Ms. Yu joined us in 2014 and has been primarily responsible for our remuneration and performance review, employment relationship and recruitment management matters. She is currently one of the department managers of our human resources center.

Ms. Yu obtained an associate degree in human resources management from Haikou University of Economics in June 2012.

Mr. Sun Jiantao (孫建濤), aged 36, is our Supervisor. Mr. Sun is primarily responsible for monitoring the performance of the Directors and senior management.

Mr. Sun joined us in 2010 and had been responsible for matters including business development and human resources. From 2016 to 2023, Mr. Sun held various key positions in our Group, responsible for business expansion of *Mixue* in Southwest China and Southeast Asia as well as *Lucky Cup*. Currently, Mr. Sun is our head of operations of *Mixue* in Southeast Asia.

SENIOR MANAGEMENT

The following table sets forth the key information about our senior management.

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Senior Management	Responsibilities
Mr. Zhang Hongfu (張紅甫)	39	Executive Director and chief executive officer	2007	December 11, 2017	In charge of our overall operations and management as well as leading our senior management team

Name	Age	Position/Title	Time of Joining our Group	Date of Appointment as a Senior Management	Responsibilities
Ms. Cai Weimiao (蔡衛淼)	35	Executive Director and head of front-end supply chain	2008	December 28, 2023	In charge of the procurement of store supplies and equipment, logistics, front-end application R&D and the quality control of the above matters
Ms. Zhao Hongguo (趙紅果)	35	Executive Director and head of back-end supply chain	2013	December 28, 2023	In charge of the procurement of raw materials, production, back-end fundamental R&D and the quality control of the above matters
Mr. Shi Peng (時朋)	36	Head of operations of *Mixue* in China	2003	December 28, 2023	In charge of the operations of *Mixue* in China
Mr. Zhang Yuan (張淵)	33	Chief financial officer	2023	February 11, 2023	In charge of the overall financial management and capital operations of our Group

For the biographical details of Mr. Zhang Hongfu (張紅甫), see "— Board of Directors — Executive Directors".

For the biographical details of Ms. Cai Weimiao (蔡衛淼), see "— Board of Directors — Executive Directors".

For the biographical details of Ms. Zhao Hongguo (趙紅果), see "— Board of Directors — Executive Directors".

Mr. Shi Peng (時朋), aged 36, is our head of operations of *Mixue* in China.

Mr. Shi is a homegrown key executive of our Group. Mr. Shi joined us in 2003, when he started to obtain first-hand experience in our store operations, from which he accumulated extensive experience in management of stores and franchisees with long-term practice in the front lines. From 2013 to 2018, Mr. Shi was in charge of operations and management of stores and franchisees, and played an active and significant role in the standardization of our operations and management system. Since 2018, Mr. Shi has been holding various key management positions in our Group and is currently responsible for the operations of *Mixue* in China.

Mr. Shi has been serving as the vice president of Henan Chain Store & Franchise Association since August 2022.

Mr. Zhang Yuan (張淵), aged 33, is our chief financial officer. Mr. Zhang Yuan is primarily responsible for the overall financial management and capital operations of our Group.

Mr. Zhang Yuan joined our Group in February 2023, prior to which he worked at various financial institutions, including BofA Securities and Hillhouse Investment.

Mr. Zhang Yuan obtained a master's degree in finance from Tsinghua University in July 2015 and an honorary bachelor's degree in economics from the University of International Business and Economics in June 2013.

GENERAL

Save as disclosed above, none of the Directors, Supervisors or members of senior management of our Company has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document.

Mr. Zhang Hongchao and Mr. Zhang Hongfu are brothers and Mr. Shi Peng is their cousin. Save as disclosed above, none of the Directors, Supervisors or members of the senior management of our Company is related to any other Directors, Supervisors and members of the senior management of our Company.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors or Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

JOINT COMPANY SECRETARIES

Mr. Chen Yixin (陳翊新), aged 31, is our joint company secretary. Mr. Chen is primarily responsible for company secretarial matters of our Group.

Mr. Chen joined our Group in 2021, prior to which he worked at Zhong Lun Law Firm in Beijing from July 2018 to July 2021.

Mr. Chen obtained a postgraduate certificate in law in June 2018 and a bachelor's degree in journalism in June 2015 from China University of Political Science and Law.

Ms. Tang King Yin (鄧景賢) is our joint company secretary. Ms. Tang is a senior manager of corporate services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Tang has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Tang is currently serving as the joint company secretary of four companies listed on the Hong Kong Stock Exchange, namely, Yum China Holdings, Inc. (stock code: 9987), Tuya Inc. (stock code: 2391), Leading Holdings Group Limited (stock code: 6999) and Ling Yue Services Group Limited (stock code: 2165).

Ms. Tang obtained a master's degree of corporate governance and compliance from the Hong Kong Baptist University in November 2021 and a bachelor's degree in business administration from Hong Kong Shue Yan University in July 2011. Ms. Tang 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.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, our Company has formed three Board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Mr. Huang Sidney Xuande, Ms. Poon Philana Wai Yin and Mr. Chu Gary Hsi. Mr. Huang Sidney Xuande and Mr. Chu Gary Hsi hold the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. Mr. Huang Sidney Xuande serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- proposing the appointment or change of external auditors to our Board, and monitoring the independence of external auditors and evaluating their performance;
- examining the financial information of our Company and reviewing financial reports and statements of our Company;

- examining the financial reporting system, the risk management and internal control system of our Company, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and

- dealing with other matters that are authorized by our Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Mr. Zhang Hongchao, Mr. Chu Gary Hsi and Mr. Huang Sidney Xuande. Mr. Zhang Hongchao serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- conducting extensive search and providing to our Board suitable candidates for our Directors, chief executive officer and other members of the senior management;

- reviewing the structure, size and composition of our Board at least annually and making recommendations on any proposed changes to our Board;

- researching and developing standards and procedures for the election of our Board members, chief executive officer and members of the senior management, and making recommendations to our Board; and

- dealing with other matters that are authorized by our Board.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of the Corporate Governance Code. The Remuneration Committee consists of three Directors, namely Mr. Chu Gary Hsi, Mr. Huang Sidney Xuande and Mr. Zhang Hongfu. Mr. Chu Gary Hsi serves as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- making recommendations to the Board on the Company's policy and structure for all Directors' and senior managements remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- monitoring the implementation of remuneration system of our Company;

- making recommendations on the remuneration packages of our Directors and senior management; and

- dealing with other matters that are authorized by our Board.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in December 2023, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

COMPENSATION OF DIRECTORS AND SUPERVISORS

Our Directors and Supervisors receive compensation in the form of fees, salaries, allowances, discretionary bonuses, share-based compensation, retirement benefit scheme contributions and other benefits in kind.

For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, the aggregate amount of remuneration paid or payable to our Directors amounted to RMB16.0 million, RMB19.7 million and RMB19.6 million, respectively.

For the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, the aggregate amount of remuneration paid or payable to our Supervisors amounted to RMB4.6 million, RMB6.7 million and RMB6.2 million, respectively.

Under the current compensation arrangement, we estimate the total compensation before taxation to be accrued to our Directors and our Supervisors for the year ending December 31, 2024 to be approximately RMB35.0 million.

The total emoluments for the remaining individuals among the five highest paid individuals amounted to RMB15.7 million, RMB19.5 million and RMB11.3 million for the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, respectively.

During the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of our Company or any of our subsidiaries.

During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 to the Listing Rules after the [**REDACTED**].

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the board diversity policy, we seek to achieve board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and educational background, and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, finance and accounting and corporate governance in addition to industry experience in consumer industry. We have three independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of our Board. Our Company has evaluated the structure, size and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operations.

Besides, we particularly recognize the importance of gender diversity. We have taken, and will continue to take, steps to promote gender diversity at all levels of our Company, including but without limitation to our Board and senior management levels. Going forward, we will continue to work to enhance gender diversity of our Board when selecting and recommending suitable candidates for Board appointments. Our Company also intends to promote gender diversity at the mid to senior level so that our Company can maintain a balanced gender ratio at different levels. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the [**REDACTED**], our Nomination Committee will examine the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our Compliance Advisor pursuant to Rules 3A.19 and 3A.23 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

(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**] from the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its [**REDACTED**] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the applicable requirements under the Listing Rules and laws and regulations.

The term of the appointment will commence on the [**REDACTED**] and is expected to end on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), Mr. Zhang Hongchao directly and through Qingchun Wuwei, and Mr. Zhang Hongfu directly and through Shiyu Zuxia, will control [**REDACTED**]% and [**REDACTED**]% of our total issued share capital, respectively. Please refer to "History, Development and Corporate Structure — Concert Party Agreement". Accordingly, Mr. Zhang Hongchao, Mr. Zhang Hongfu, Qingchun Wuwei and Shiyu Zuxia will be our Controlling Shareholders upon the [**REDACTED**].

For details of Mr. Zhang Hongchao, Mr. Zhang Hongfu, Qingchun Wuwei and Shiyu Zuxia, see the sections headed "Directors, Supervisors and Senior Management" and "History, Development and Corporate Structure — Employee Shareholding Platforms".

RULE 8.10 OF THE LISTING RULES

As of the Latest Practicable Date, none of our Controlling Shareholders or Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we are able to carry out our business independently from our Controlling Shareholders and their respective close associates upon and after the [**REDACTED**].

Operational Independence

Our Company has full rights to make all decisions on, and to carry out, our own business operations independently. We hold our own operation resources including but not limited to franchisees and suppliers, as well as our own registered patents which can be used for producing our products. We have a team of senior management to operate the business independently from our Controlling Shareholders and their respective close associates. We also have access to third parties independently from, and not connected with, our Controlling Shareholders for sources of suppliers, franchisees and business partners.

Based on the above, our Directors believe that we are operationally independent from our Controlling Shareholders and their respective close associates.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises seven Directors, including four executive Directors and three independent non-executive Directors.

Our Directors have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors and members of the senior management are able to perform their roles in our Company in managing our business independently from our Controlling Shareholders and their respective close associates for the following reasons:

(a) except for Mr. Zhang Hongchao, Mr. Zhang Hongfu and their cousin, Mr. Shi Peng, all other members of the Board and senior management have no other relationship with the Controlling Shareholders and their respective close associates. They have substantial experience in the industry as further described in the section headed "Directors, Supervisors and Senior Management", which will enable them to discharge their duties independently from the Controlling Shareholders;

(b) our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;

(c) each of our Directors is aware of his or her fiduciary duties as a director, which requires, among other things, that he or she acts for our Company's best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and

(d) where a Board meeting or Shareholders' meeting is held to consider a proposed transaction in which our Directors or Controlling Shareholders or any of their respective close associates have a material interest, the relevant Directors or our Controlling Shareholders and their respective close associates shall abstain from voting on the relevant resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

We have a finance center independent from our Controlling Shareholders and their respective close associates. We have also established an independent financial system to make the decisions based on our own business needs. In addition, we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. During the Track Record Period and as of the Latest Practicable Date, we had received the Pre-[**REDACTED**] Investment from third party investors independently. For details of the Pre-[**REDACTED**] Investment, see "History, Development and Corporate Structure". As of the Latest Practicable Date, there were no loans, advances and balances due to or from our Controlling Shareholders or their respective close associates, nor were there any pledges and guarantees provided by and to our Controlling Shareholders or their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

- where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

- our Group has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if any transaction is proposed between our Group and our Controlling Shareholders and their respective associates, we will comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review by the independent non-executive Directors, announcement and independent shareholders' approval;

- our Board consists of a balanced composition of executive Directors and independent non-executive Directors, with independent non-executive Directors representing not less than one-third of our Board to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors individually and collectively possess the requisite knowledge and experience to perform their duties. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

- 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 expenses; and

- we have appointed Somerley Capital Limited as our Compliance Advisor, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and corporate governance, and inform us on a timely basis of any amendment or supplement to the Listing Rules or applicable laws and regulations in Hong Kong.

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 Company and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [**REDACTED**].

This section presents certain information regarding our share capital before and upon completion of the [**REDACTED**].

BEFORE THE COMPLETION OF THE [REDACTED]

As of the Latest Practicable Date, the issued share capital of our Company was RMB360,000,000, comprising 360,000,000 Unlisted Shares with a nominal value of RMB1.00 each.

UPON THE COMPLETION OF THE [REDACTED]

Immediately following the completion of the [**REDACTED**] and the conversion of certain Unlisted Shares into H Shares, assuming that the [**REDACTED**] is not exercised, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Total Share Capital of our Company
		(%)
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Unlisted Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	**100.00**

Immediately following the completion of the [**REDACTED**] and the conversion of certain Unlisted Shares into H Shares, assuming that the [**REDACTED**] is fully exercised, the issued share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate Percentage of the Total Share Capital of our Company
		(%)
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be converted from Unlisted Shares	[**REDACTED**]	[**REDACTED**]
H Shares to be issued under the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	**100.00**

RANKING

Upon completion of the [**REDACTED**], we would have only one class of Shares. H Shares and Unlisted Shares are all ordinary Shares in the share capital of our Company. However, except for certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai — Hong Kong Stock Connect or the Shenzhen — Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Unlisted Shares and H Shares will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

According to the regulations issued by the CSRC, the holders of our Unlisted Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective Unlisted Shares to H Shares, and such converted Shares may be listed and traded on an overseas stock exchange provided that the required filings with the securities regulatory authorities of the State Council for the conversion, listing and trading of such converted Shares have been completed. Additionally, such conversion, trading and listing shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. Save as disclosed in this document and to the best knowledge of our Directors, we are not aware of the intention of such existing Shareholders to convert their Unlisted Shares.

If any of the Unlisted Shares are to be converted, listed and traded as H Shares on the Stock Exchange, the filings with the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange are necessary for such conversion. Based on the procedures for the conversion of Unlisted Shares into H Shares as set forth below, we will apply for the listing of all or any portion of the Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion after the [**REDACTED**] to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As the listing of additional Shares after the [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our [**REDACTED**] in Hong Kong. No class Shareholder voting is required for the conversion of such Shares or the listing and trading of such converted Shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial [**REDACTED**] is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

After all the requisite filings have been completed and approvals have been obtained, the relevant Unlisted Shares will be withdrawn from the Unlisted Share register, and our Company will re-register such Shares on the H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on the H Share register of our Company will be on the conditions that (i) the H Share Registrar lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be traded on the Stock Exchange complies with the Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time.

Until the converted Shares are re-registered on the H Share register of our Company, such Shares would not be [**REDACTED**] as H Shares. For details of our existing Shareholders' proposed conversion of Unlisted Shares into H Shares, see "History, Development and Corporate Structure — Capitalization".

RESTRICTIONS OF SHARE TRANSFER

Pursuant to the PRC Company Law, our Shares issued prior to the [**REDACTED**] shall not be transferred within one year from the [**REDACTED**].

Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company unless otherwise permitted by applicable laws and regulations. The Shares that the aforementioned persons hold in our Company cannot be transferred within half a year after they leave their positions as Directors, Supervisors and members of the senior management in our Company.

For details of the lock-up undertaking given by our Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules, see the section headed "[**REDACTED**]".

GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE MANDATE

Subject to the [**REDACTED**] becoming unconditional, our Directors [have] been granted general unconditional mandates to issue and repurchase our Shares. For further details, see "Appendix IV — Statutory and General Information — Further Information about our Company — Resolutions of our Shareholders".

SHAREHOLDERS' GENERAL MEETING

For details of circumstances under which our Shareholders' general meeting is required, see "Appendix III — Summary of Articles of Association".

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and the conversion of our Unlisted Shares to H Shares assuming the [**REDACTED**] is not exercised, the following persons will have an interest and/or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under 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 nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	Approximate percentage of shareholding in the total Share capital immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
			(%)	*(%)*
Unlisted Shares				
Mr. Zhang Hongchao	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
(張紅超)[1]	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Qingchun Wuwei[1]	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Mr. Zhang Hongfu	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
(張紅甫)[2]	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shiyu Zuxia[2]	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
H Shares				
Mr. Zhang Hongchao	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
(張紅超)[1]	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Qingchun Wuwei[1]	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Mr. Zhang Hongfu	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
(張紅甫)[2]	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Shiyu Zuxia[2]	Beneficial owner	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) Qingchun Wuwei, one of our employee shareholding platforms and a limited partnership established in the PRC, is managed by its general partner, Mr. Zhang Hongchao. As such, Mr. Zhang Hongchao is deemed to be interested in the [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares held by Qingchun Wuwei under the SFO.

(2) Shiyu Zuxia, one of our employee shareholding platforms and a limited partnership established in the PRC, is managed by its general partner, Mr. Zhang Hongfu. As such, Mr. Zhang Hongfu, is deemed to be interested in the [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares held by Shiyu Zuxia under the SFO.

Save as disclosed above and the section headed "Appendix IV – Statutory and General Information – Further Information about our Directors, Supervisors, Chief Executive and Substantial Shareholders – Interests of the substantial shareholders in other members of our Group", our Directors are not aware of any person who will, immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), have any interest and/or short position in the Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of the Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

The following discussion and our analysis should be read in conjunction with our consolidated financial statements included in the Accountants' Report in Appendix I to this document, together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. 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 we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including but not limited to the sections headed "Risk Factors" and "Business".

For the purposes of this section, unless the context otherwise requires, references to the years of 2021 and 2022 refer to our fiscal years ended December 31 of such years, respectively.

OVERVIEW

We are a world-leading freshly-made drinks company. We are committed to providing high-quality value-for-money products to consumers, including freshly-made fruit drinks, tea drinks, ice cream and coffee, typically priced around one U.S. dollar (approximately RMB6) per item. We have two major brands – freshly-made tea drinks brand *Mixue* and freshly-made coffee brand *Lucky Cup*. Through a franchise model, we have cultivated a network of over 36,000 stores spanning China and 11 overseas countries as of September 30, 2023. During the nine months ended September 30, 2023, approximately 5.8 billion cups of drinks were sold through our store network. We are China's largest, and the world's second largest freshly-made drinks company, in terms of both number of stores as of September 30, 2023, and number of cups sold during the nine months ended September 30, 2023, according to CIC.

In 2022 and the nine months ended September 30, 2023, GMV generated through our store network amounted to approximately RMB30.0 billion and RMB37.0 billion, respectively, which makes us the largest freshly-made drinks company in China, according to CIC. We achieved strong financial performance throughout the Track Record Period, with robust growth, high profitability and ample cash flows on top of a large scale. In 2022 and the nine months ended September 30, 2023, we recorded revenue of RMB13.6 billion and RMB15.4 billion, respectively, representing year-over-year growth of 31.2% and 46.0%. Our net profit amounted to RMB2.0 billion and RMB2.5 billion in 2022 and the nine months ended September 30, 2023, respectively, growing by 5.3% and 51.1% year-over-year. We have consistently generated net cash flows from operating activities, which totaled RMB1.7 billion, RMB2.4 billion and RMB3.1 billion in 2021, 2022 and the nine months ended September 30, 2023, respectively.

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.

All IFRSs effective for the accounting period commencing from January 1, 2023, together with the relevant transitional provisions, have been 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 financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been 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 the management to make judgements, estimates and assumptions in the process of applying our Group's accounting policies. Judgements made by the management in the application of IFRSs that have significant effect on the historical financial information and major sources of estimation uncertainty are discussed in Note 3 to the Accountants' Report included 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 overall consumer demands and market conditions for freshly-made drinks. These factors include macroeconomic trends, industry dynamics, and competitive landscape. Any negative change in these conditions may adversely impact our results of operations.

In addition to these general factors, the following specific factors have a more direct impact on our results of operations.

Consumer Demands for Freshly-Made Drinks

Our results of operations are influenced by consumer demands for freshly-made drinks. Continued urbanization in China has been driving population concentration in urban areas, broadening the consumer base for freshly-made drinks and facilitating the industry development. This, coupled with increasing consumer demands for superior product quality and consumer experience, has fueled the growth of the freshly-made drinks market. According to CIC, China's freshly-made drinks market, as measured by GMV, is projected to reach RMB1,180.5 billion by 2028. Within this market, mass-market freshly-made drinks segment is anticipated to experience the highest growth rate, with a CAGR of 24.0% from 2022 to 2028 surpassing the overall CAGR of 18.7% for China's freshly-made drinks market during the same period. The rapid growth is mainly fueled by the increasing penetration of mass-market freshly-made drinks within China's overall drinks market, and the growing consumer preferences for mass-market freshly-made drinks. Internationally, the freshly-made drinks market, as measured by GMV, is forecasted to reach US$1,114.7 billion by 2028, and the freshly-made drinks market in Southeast Asia is projected to reach US$49.4 billion by 2028, with a CAGR of 20.3% from 2022 to 2028. For additional information, see "Industry Overview".

Over the years, we have consistently adhered to the value proposition of offering high-quality products with value for money. This dedication, married with our brand culture centered around sweetness and love, has enabled us to capture consumers' mind-shares. We are China's largest, and the world's second largest freshly-made drinks company, in terms of both number of stores as of September 30, 2023 and number of cups sold in the nine months ended September 30, 2023, according to CIC. In the fast-growing Southeast Asia market with tremendous potential, *Mixue* has become the largest freshly-made tea drinks brand, in terms of number of stores as of September 30, 2023. Going forward, we will continue to fulfill the increasing consumer demands and capitalize on favorable industry trends and opportunities. These include shifting consumer preferences towards mass-market freshly-made drinks, the ongoing rise in China's urbanization rate, the continued penetration of freshly-made drinks in lower-tier cities, the increase in the chain rate and the market concentration towards well-recognized brands in the freshly-made drinks industry, and the significant expansion potential in overseas markets, particularly in Southeast Asia.

Store Network Expansion and Management

As of December 31, 2021, 2022 and September 30, 2023, our store network encompassed 20,001, 28,983, and 36,153 stores, respectively, with over 99% of them being franchised stores. As of September 30, 2023, we had 32,180 stores across 31 provinces, autonomous regions and municipalities in China, and 3,973 stores in 11 overseas countries. Substantially all of our revenue is generated by selling store supplies and equipment to our franchisees. As such, the scale of our store network and our ability to manage it effectively are pivotal to both our revenue growth and operational efficiency.

Under the philosophy of aligning interests with franchisees, we have built a healthy and sustainable franchise model. With this model, we implement standardized management and offer continuous support and empowerment to franchisees through our highly-digitalized operational system to enhance their operational efficiency. Our interest-aligned approach, coupled with our all-round support, has allowed us to attract franchisees and expand our store network throughout the Track Record Period. Going forward, we will continue to expand and improve our ability to manage our store network in China and overseas, fostering sustainable growth in revenue and profitability.

Our Supply Chain Capabilities

Our expansive and highly efficient supply chain lays a solid foundation for our operational effectiveness and efficiency, which have a significant impact on our profitability. As the first company to establish centralized factories, we currently operate the largest and most comprehensive end-to-end supply chain in China's freshly-made drinks industry, encompassing essential aspects covering procurement, production, logistics, R&D and quality control.

- With respect to procurement, our global procurement network extended to the origins of raw materials, and our industry-leading procurement scale enable us to secure many core raw materials at prices below the industry average.

- With respect to production, we leverage the profound strengths of China manufacturing capabilities, and incorporate world-leading standards in factory construction and production management across our five production bases. Benefitting from the cost advantages enabled by our extensive scale and sophisticated and intelligent production management, we choose to selectively self-produce ingredients to optimize quality and cost efficiency.

- With respect to logistics, we have established an effective, digitalized logistics system connecting our factories with our vast store network by deeply integrating the nationwide warehouse system and local delivery services, which has allowed us to gain a competitive edge in managing logistics costs and efficiency.

- With respect to R&D and quality control, we have consistently enhanced cost-effectiveness through constant technological breakthroughs and robust management policies.

In 2021, 2022 and the nine months ended September 30, 2023, our cost of sales accounted for 68.7%, 71.7% and 70.3% of our total revenue, with the majority incurred in connection with sales of goods. As our consumer base and store network further expand, we are committed to improving economies of scale and leveraging the advantages of our expansive and highly efficient supply chain to further enhance the digitization and management capabilities of all business processes. For example, we will fully utilize world-leading equipment and robotics, and advanced production management systems to enhance our advanced manufacturing capabilities characterized by automation, digitalization and intelligization. Additionally, we plan to build a more agile and efficient logistics system, as well as enhance R&D and innovation driven by new technologies and new materials. Through these initiatives, we aim to continuously improve the quality and efficiency of our supply chain while effectively managing costs. Further, we will attract consumers and franchisees with high-quality value-for-money products, ensuring the sustainable development of our business model.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates, assumptions, and complex judgments related to accounting items. These estimates, assumptions and judgments have a significant impact on our financial position and results of operations. Our management continuously evaluates such estimates, assumptions, and judgments based on past experience, industry practices, and expectations of future events that are deemed reasonable under the circumstances. During the Track Record Period, there had not been any material deviation from our management's estimates or assumptions and actual results, and we had not made any material changes to these estimates or assumptions. We do not expect any material changes to these estimates and assumptions in the foreseeable future.

Below are 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. For a better understanding of our financial conditions and results of operations, we have set forth our material accounting policy information and significant accounting judgment and estimates in Notes 2.3 and 3 to the Accountants' Report included in Appendix I to this document.

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 our Group expects to be entitled in exchange for those goods or services. Our Group has concluded that it is acting as a principal in all of its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Our Group primarily generates its revenue from sales of goods and equipment and provision of franchise and related services to franchisees. Further details of our Group's revenue recognition policies are as follows:

(a) Sales of goods and equipment

Revenue from the sale of goods and equipment 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.

(b) Provision of franchise and related services

Under the franchise agreements, our Group provides franchising, management and training services to its franchisees during the franchise period and franchisees pay fixed franchise, management and training fees generally on an annual basis.

During the franchise period, franchisees are granted with franchise rights including trademarks, business model and other management resources. As a result, franchise fee, which is considered as consideration for our Group to provide right to access our Group's intellectual property, is recognized on a straight-line basis over the franchise period if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that our Group will undertake activities that significantly affect the intellectual property to which the customer has rights;
- the rights granted by the license directly expose the customer to any positive or negative effects of our Group's activities; and
- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

Our Group also provides management and training services to franchisees during the franchise period through which franchisees enjoy benefits such as business operations support and training for themselves and their employees. Revenue from the provision of management and training services is recognized over the franchise period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by our Group.

Inventories

Inventories are stated at the lower of cost and net realizable 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 labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income 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 of the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized 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

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, 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 recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, 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

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognized 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 utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023 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 utilized. Unrecognized deferred tax assets are reassessed at the end of each of the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023 and are recognized 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each of the years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023.

Deferred tax assets and deferred tax liabilities are offset if and only if our 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 realize 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.

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 the statements of 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, our Group recognizes 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 Rates**
	(%)
Buildings	2.38-4.75
Leasehold improvements	20.00-50.00
Machinery	9.50-19.00
Motor vehicles	23.75
Furniture and fixtures	19.00-31.67

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 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 the statements of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

IMPACTS OF COVID-19

During the Track Record Period, our business and results of operations were impacted by the COVID-19 pandemic. For example, normal store operations were disrupted amidst the pandemic, due to reduced consumer traffic and temporary store closures.

Despite the difficulties posed by COVID-19, we steadfastly adhered to our philosophy of aligning interest with franchisees, collaborating closely with them to navigate these challenging times. In early 2022, to better support our franchisees, we announced the waiver of one-year franchise fees for all existing *Mixue* franchisees in China by the end of 2021. Subsequently during the same year, we lowered our sales prices by an average of 15% for 69 store supplies and equipment items sold to our franchisees, the sales of which accounted for 23.1% of our total revenue in 2022. These business decisions showcased our commitment to upholding our mission and fostering long-term growth alongside the success of our valued franchisees.

In response to the pandemic challenges, we took decisive actions to support our employees. For instance, we raised overall compensation levels for our employees in the second half of 2022. This decision not only demonstrated our appreciation for their dedication but also aimed to provide better support for them and their families during uncertain times. Despite increased cost and operating expenses (including selling and distribution, administrative, and research and development expenses), we are nonetheless committed to fostering a supportive work environment, ensuring stability and boosting morale within our workforce, which we believe would contribute to our long-term growth.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2021		2022		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
					(unaudited)			
	(in thousands, except for percentages)							
Revenue	10,350,986	100.0	13,575,577	100.0	10,543,240	100.0	15,393,328	100.0
Cost of sales	(7,107,124)	(68.7)	(9,728,740)	(71.7)	(7,572,013)	(71.8)	(10,817,689)	(70.3)
Gross profit	**3,243,862**	**31.3**	**3,846,837**	**28.3**	**2,971,227**	**28.2**	**4,575,639**	**29.7**
Other income and gains (net)	135,181	1.3	127,915	0.9	79,828	0.8	149,624	1.0
Selling and distribution expenses	(405,766)	(3.9)	(774,431)	(5.7)	(528,184)	(5.0)	(992,934)	(6.5)
Administrative expenses	(374,665)	(3.6)	(496,506)	(3.6)	(337,176)	(3.2)	(429,811)	(2.8)
Research and development expenses	(17,151)	(0.2)	(32,304)	(0.2)	(23,852)	(0.2)	(51,343)	(0.3)
Finance costs	(5,973)	(0.1)	(9,190)	(0.1)	(6,980)	(0.1)	(11,037)	(0.1)
(Impairment losses)/reversal of impairment losses on financial assets	(1,787)	(0.0)	(4,098)	(0.0)	(3,473)	(0.1)	4,480	0.1
Impairment of property, plant and equipment	(14,827)	(0.1)	–	–	–	–	(59,999)	(0.4)
Share of (losses)/profits of an associate	–	–	(180)	(0.0)	(221)	(0.0)	36	0.0
Profit before tax	**2,558,874**	**24.7**	**2,658,043**	**19.6**	**2,151,169**	**20.4**	**3,184,655**	**20.7**
Income tax expense	(646,932)	(6.2)	(644,952)	(4.8)	(527,751)	(5.0)	(731,876)	(4.8)
Profit for the year/period	**1,911,942**	**18.5**	**2,013,091**	**14.8**	**1,623,418**	**15.4**	**2,452,779**	**15.9**
Profit attributable to:								
Owners of the parent	1,910,361	18.5	1,996,715	14.7	1,616,956	15.3	2,400,853	15.6
Non-controlling interests	1,581	0.0	16,376	0.1	6,462	0.1	51,926	0.3

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

The following table sets forth the breakdown of our revenue by the nature of products and services, in an absolute amount and as a percentage of our total revenue, for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2021		2022		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
					(unaudited)			
	(in thousands, except for percentages)							
Sales of goods and equipment								
Sales of goods	9,457,660	91.4	12,551,043	92.5	9,776,336	92.7	14,504,715	94.3
Sales of equipment	696,944	6.7	748,387	5.5	560,634	5.3	604,842	3.9
Subtotal	**10,154,604**	**98.1**	**13,299,430**	**98.0**	**10,336,970**	**98.0**	**15,109,557**	**98.2**
Franchise and related services	**196,382**	**1.9**	**276,147**	**2.0**	**206,270**	**2.0**	**283,771**	**1.8**
Total	**10,350,986**	**100.0**	**13,575,577**	**100.0**	**10,543,240**	**100.0**	**15,393,328**	**100.0**

Sales of goods and equipment. Substantially all of our revenue is generated from sales of goods and equipment, primarily comprising amounts received from our franchisees for store supplies and equipment we provided to them. Specifically:

(i) *Sales of goods*. Revenue from sales of goods is predominantly generated by selling store supplies to our franchisees in the ordinary course of business, including ingredients, such as products of syrups, milk, tea, coffee, fruit, grains and condiments, as well as packaging materials. Additionally, we also generate a limited portion of revenue from sales at our self-operated stores and various e-commerce platforms, and from certain goods sold to some corporate customers.

(ii) *Sales of equipment*. Revenue from sales of equipment is mainly generated by selling store equipment, such as refrigerators, ice cream makers, ice makers and coffee machines to our franchisees.

Franchise and related services. Revenue from franchise and related services consists primarily of fixed franchise fees, management fees and training fees, that we charge our franchisees on an annual basis without regard to their operational results.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by the nature of products and services, in an absolute amount and as a percentage of our total cost of sales, for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2021		2022		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
					(unaudited)			
	(in thousands, except for percentages)							
Sales of goods and equipment								
Sales of goods	6,483,793	91.2	9,060,836	93.2	7,068,431	93.3	10,295,459	95.2
Sales of equipment	567,373	8.0	607,746	6.2	460,569	6.1	467,333	4.3
Subtotal	**7,051,166**	**99.2**	**9,668,582**	**99.4**	**7,529,000**	**99.4**	**10,762,792**	**99.5**
Franchise and related services	**55,958**	**0.8**	**60,158**	**0.6**	**43,013**	**0.6**	**54,897**	**0.5**
Total	**7,107,124**	**100.0**	**9,728,740**	**100.0**	**7,572,013**	**100.0**	**10,817,689**	**100.0**

Our cost associated with sales of goods and equipment primarily stems from (i) procuring and processing raw materials (such as food commodities, agricultural products and other auxiliary materials), packaging materials and store equipment, as well as (ii) delivering store supplies and equipment to stores. Our cost of franchise and related services mainly represents labor and other costs associated with training services and store design services provided to our franchisees.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our cost for sales of goods on our profit for the periods indicated, assuming all other factors affecting our profitability had remained unchanged. Our actual results may differ from this hypothetical illustration depending on the actual fluctuations, if any, in our cost for sales of goods and other related items.

	-2%	+2%
	(RMB in thousands)	
Change in profit for the year/period		
Year ended December 31, 2021	96,868	(96,868)
Year ended December 31, 2022	137,181	(137,181)
Nine months ended September 30, 2023	158,550	(158,550)

Gross Profit and Gross Profit Margin

As a result of the foregoing, we recorded gross profit of RMB3,243.9 million and RMB3,846.8 million in 2021 and 2022, and RMB2,971.2 million and RMB4,575.6 million in the nine months ended September 30, 2022 and 2023, respectively, representing gross profit margin of 31.3%, 28.3%, 28.2% and 29.7%, respectively, during the same periods.

The following table sets forth a breakdown of our gross profit and gross profit margin by the nature of products and services for the 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)			
	(in thousands, except for percentages)							
Sales of goods and equipment								
Sales of goods	2,973,867	31.4	3,490,207	27.8	2,707,905	27.7	4,209,256	29.0
Sales of equipment	129,571	18.6	140,641	18.8	100,065	17.8	137,509	22.7
Subtotal	**3,103,438**	**30.6**	**3,630,848**	**27.3**	**2,807,970**	**27.2**	**4,346,765**	**28.8**
Franchise and related services	**140,424**	**71.5**	**215,989**	**78.2**	**163,257**	**79.1**	**228,874**	**80.7**
Total	**3,243,862**	**31.3**	**3,846,837**	**28.3**	**2,971,227**	**28.2**	**4,575,639**	**29.7**

Other Income and Gains (Net)

Our other income and gains (net) consist of (i) government grants, mainly representing subsidies and benefits from local governments in China, (ii) interest income on bank deposits, (iii) investment income on financial assets at fair value through profit or loss, mainly representing income generated from wealth management products, (iv) loss or gain on disposal of items of property, plant and equipment (net), (v) foreign exchange differences (net), (vi) donations for charitable causes, and (vii) others.

The following table sets forth the breakdown of our income and gains (net) for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2021	**2022**	**2022**	**2023**
			(unaudited)	
	(RMB in thousands)			
Other income and gains (net)				
Government grants	79,441	46,890	10,001	68,004
Interest income	38,221	44,322	32,715	36,781
Investment income on financial assets at fair value through profit or loss	25,999	25,644	26,199	44,113
(Loss)/gain on disposal of items of property, plant and equipment (net)	(1,156)	(303)	(265)	444
Foreign exchange differences (net)	(994)	(163)	252	12,594
Donations	(35,464)	(11,461)	(7,671)	(38,703)
Others	29,134	22,986	18,597	26,391
Total	**135,181**	**127,915**	**79,828**	**149,624**

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) employee compensation, representing salaries, benefits, and share-based compensation for our sales personnel, including primarily our store operations advisors, (ii) transportation expenses, representing expenses related to shipping store supplies and equipment from our production bases to warehouses and across warehouses, (iii) depreciation of right-of-use assets and property management fees primarily related to our leased warehouses, (iv) travel and office expenses incurred by our sales personnel, (v) branding and promotion expenses related to our marketing, branding and promotion activities, and (vi) other miscellaneous selling and distribution expenses, including primarily third-party service fees related to our online orders, as well as depreciation and amortization expenses related to our self-operated warehouses.

The following table sets forth a breakdown of our selling and distribution expenses, in an absolute amount and as a percentage of our total selling and distribution expenses, for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2021		2022		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
					(unaudited)			
	(in thousands, except for percentages)							
Employee compensation	167,304	41.2	366,113	47.3	250,223	47.4	413,410	41.6
Transportation expenses	70,957	17.5	122,054	15.8	93,221	17.6	145,752	14.7
Depreciation of right-of-use assets and property management fees	39,458	9.7	93,245	12.0	61,768	11.7	95,790	9.6
Travel and office expenses	47,039	11.6	87,596	11.3	51,816	9.8	94,560	9.5
Branding and promotion expenses	53,184	13.1	69,922	9.0	46,588	8.8	182,243	18.4
Others	27,824	6.9	35,501	4.6	24,568	4.7	61,179	6.2
Total	**405,766**	**100.0**	**774,431**	**100.0**	**528,184**	**100.0**	**992,934**	**100.0**

Administrative Expenses

Our administrative expenses primarily consist of (i) employee compensation, representing salaries, benefits, and share-based compensation for our administrative staff, (ii) professional and IT service fees, representing costs associated with IT and software services, management and business consulting services, and other professional service fees, (iii) depreciation and amortization expenses relating to our self-owned office space and equipment, (iv) travel and office expenses incurred by our administrative staff, (v) depreciation of right-of-use assets and property management fees primarily related to our leased office space, (vi) [**REDACTED**] relating to the [**REDACTED**], and (vii) other miscellaneous administrative expenses.

The following table sets forth a breakdown of our administrative expenses, in an absolute amount and as a percentage of our total administrative expenses, for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2021		2022		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
					(unaudited)			
	(in thousands, except for percentages)							
Employee compensation	232,947	62.2	277,739	55.9	195,822	58.1	233,005	54.2
Professional and IT service fees	46,745	12.5	85,226	17.2	56,117	16.6	63,623	14.8
Depreciation and amortization expenses	28,249	7.5	40,594	8.2	27,228	8.1	35,151	8.2

	For the year ended December 31,				For the nine months ended September 30,			
	2021		2022		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
					(unaudited)			
	(in thousands, except for percentages)							
Travel and office expenses	19,357	5.2	23,088	4.7	16,869	5.0	36,117	8.4
Depreciation of right-of-use assets and property management fees	14,159	3.8	19,310	3.9	13,928	4.1	20,337	4.7
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	33,208	8.8	50,549	10.1	27,212	8.1	34,852	8.1
Total	**374,665**	**100.0**	**496,506**	**100.0**	**337,176**	**100.0**	**429,811**	**100.0**

Research and Development Expenses

Our research and development expenses consist primarily of (i) employee compensation, representing salaries, benefits, and share-based compensation for our research and development staff, (ii) consumable items, which represent raw materials and products utilized and depleted throughout the research and development process, and (iii) other miscellaneous research and development expenses.

The following table sets forth the breakdown of our research and development expenses, in an absolute amount and as a percentage of total research and development expenses, for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2021		2022		2022		2023	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
					(unaudited)			
	(in thousands, except for percentages)							
Employee compensation	12,716	74.1	22,695	70.3	15,629	65.5	36,498	71.1
Consumable items	3,077	17.9	7,301	22.6	6,065	25.4	8,125	15.8
Others	1,358	8.0	2,308	7.1	2,158	9.1	6,720	13.1
Total	**17,151**	**100.0**	**32,304**	**100.0**	**23,852**	**100.0**	**51,343**	**100.0**

Finance Costs

Our finance costs consist of interest expenses on bank borrowings, and lease liabilities. We recorded finance costs of RMB6.0 million and RMB9.2 million in 2021 and 2022, and RMB7.0 million and RMB11.0 million in the nine months ended September 30, 2022 and 2023, respectively.

(Impairment Losses)/Reversal of Impairment Losses on Financial Assets

Our impairment losses or reversal of impairment losses on financial assets represent the expected credit losses or reversal of the expected credit losses on our trade receivables and other receivables. For details, see Note 2.3 to the Accountants' Report included in Appendix I to this document. We recorded impairment losses on financial assets of RMB1.8 million, RMB4.1 million and RMB3.5 million in 2021, 2022 and the nine months ended September 30, 2022, respectively, and reversal of impairment losses on financial assets of RMB4.5 million in the nine months ended September 30, 2023.

Share of (Losses)/Profits of an Associate

Our share of losses or profits of an associate relates to our investment in an associate primarily engaged in food distribution. For details, see Note 17 to the Accountants' Report included in Appendix I to this document. We recorded share of losses of an associate in the amount of nil, RMB180 thousand and RMB221 thousand in 2021, 2022 and the nine months ended September 30, 2022, respectively, and share of profits of an associate in the amount of RMB36 thousand in the nine months ended September 30, 2023. The movement of share of losses or profits of an associate during the Track Record Period was primarily attributed to the business performance and financial results of the associate.

Income Tax Expense

Income tax expense primarily represents income tax payable by us in accordance with the EIT Law and its corresponding implementation regulations. This income tax expense comprises both current income tax and deferred income tax.

Entities located in the PRC are subject to a statutory income tax rate of 25.0%. During the Track Record Period, certain subsidiaries within our Group were eligible for preferential income tax rates pursuant to the relevant tax regulations. For instance, during the Track Record Period, specific entities within our Group benefited from an EIT rate of 15% under preferential EIT policies for enterprises established and engaged in encouraged industries in the West Region or the Hainan Free Trade Port, and some of our Group's entities were engaged in agricultural product pre-treatment and eligible for relevant tax exemptions.

We recorded income tax expense of RMB646.9 million, RMB645.0 million, RMB527.8 million and RMB731.9 million in 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively, and our effective tax rate (calculated as income tax expense divided by profit before tax) was 25.3%, 24.3%, 24.5% and 23.0%, respectively, for the same periods.

During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

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 46.0% from RMB10,543.2 million in the nine months ended September 30, 2022 to RMB15,393.3 million during the same period in 2023. Such increase was attributed primarily to increased revenue generated from sales of goods and equipment, and to a lesser extent, from franchise and related services.

- ***Sales of goods and equipment***. Revenue from sales of goods and equipment increased by 46.2% from RMB10,337.0 million in the nine months ended September 30, 2022 to RMB15,109.6 million during the same period in 2023. The increase was primarily fueled by the expansion of our store network throughout China and overseas. The number of our stores increased from 26,725 as of September 30, 2022 to 36,153 as of September 30, 2023.

- ***Franchise and related services***. Revenue from franchise and related services increased by 37.6% from RMB206.3 million in the nine months ended September 30, 2022 to RMB283.8 million during the same period in 2023, primarily driven by our store network expansion throughout China and overseas.

Cost of sales

Our cost of sales rose by 42.9% from RMB7,572.0 million in the nine months ended September 30, 2022 to RMB10,817.7 million during the same period in 2023, which was primarily driven by the increased cost for sales of goods. Our cost for sales of goods increased by 45.7% from RMB7,068.4 million in the nine months ended September 30, 2022 to RMB10,295.5 million during the same period in 2023, mainly due to the increased procurement and production volumes to support our growing store network in China and overseas.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 54.0% from RMB2,971.2 million in the nine months ended September 30, 2022 to RMB4,575.6 million during the same period in 2023. Our gross profit margin was 28.2% and 29.7% in the nine months ended September 30, 2022 and 2023, respectively.

The increase in our overall gross profit margin was primarily driven by the increase in the gross profit margin for sales of goods and equipment. In particular, the gross profit margin for sales of goods, which was the most significant contributor to our revenue during the Track Record Period, increased from 27.7% in the nine months ended September 30, 2022 to 29.0% during the same period in 2023, primarily attributed to decreased purchase costs for certain of our raw materials.

The gross profit margin of our franchise and related services improved from 79.1% in the nine months ended September 30, 2022 to 80.7% during the same period in 2023, primarily due to enhanced economies of scale as our franchised store network continued to expand with limited incremental costs incurred for our franchise and related services.

Other income and gains (net)

Our other income and gains (net) increased by 87.4% from RMB79.8 million in the nine months ended September 30, 2022 to RMB149.6 million during the same period in 2023. This was primarily due to the increases in (i) government grants of RMB58.0 million, (ii) investment income on financial assets at fair value through profit or loss of RMB17.9 million, and (iii) foreign exchange differences (net) of RMB12.3 million due to fluctuations in foreign exchange rates.

Selling and distribution expenses

Our selling and distribution expenses increased by 88.0% from RMB528.2 million in the nine months ended September 30, 2022 to RMB992.9 million during the same period in 2023. This increase was mainly driven by a rise in (i) employee compensation of RMB163.2 million primarily due to the expansion of our sales personnel headcount to support our growing business, as well as the increase in compensation levels for our sales personnel effective from the second half of 2022, and (ii) branding and promotion expenses of RMB135.7 million to enhance our brand name and iconic IP. To a lesser extent, the increased selling and distribution expenses were also attributed to the increases in transportation expenses, and travel and office expenses of RMB52.5 million and RMB42.7 million, respectively, which were generally in line with our business growth.

Administrative expenses

Our administrative expenses increased by 27.5% from RMB337.2 million in the nine months ended September 30, 2022 to RMB429.8 million during the same period in 2023. This increase was mainly driven by a rise in (i) employee compensation of RMB37.2 million primarily due to the increase in compensation levels for our administrative staff effective from the second half of 2022, (ii) travel and office expenses of RMB19.2 million primarily due to increased business trips of our administrative staff post-pandemic and also in line with our overall business expansion, (iii) depreciation and amortization expenses of RMB7.9 million,

(iv) professional and IT service fees of RMB7.5 million, primarily due to the increase in fees for IT and software services to support our continued business expansion, and (v) [**REDACTED**] of RMB[**REDACTED**] million relating to the [**REDACTED**].

Research and development expenses

Our research and development expenses increased by 115.3% from RMB23.9 million in the nine months ended September 30, 2022 to RMB51.3 million during the same period in 2023, mainly due to our continued efforts to optimize and diversify our product offerings and improve consumer experience. Specifically, the increase was mainly driven by a rise in employee compensation of RMB20.9 million due to the expansion of our research and development staff headcount, as well as the increase in compensation levels for our research and development staff effective from the second half of 2022.

Finance costs

Our finance costs increased by 58.1% from RMB7.0 million in the nine months ended September 30, 2022 to RMB11.0 million during the same period in 2023. The increase was primarily attributed to the rise in interests on bank borrowings of RMB2.8 million due to our additional bank loans.

(Impairment losses)/reversal of impairment losses on financial assets

We recorded impairment losses on financial assets of RMB3.5 million in the nine months ended September 30, 2022, compared to reversal of impairment losses on financial assets of RMB4.5 million during the same period in 2023, which was attributed to reassessment of the expected credit losses of trade receivables and other receivables.

Impairment of property, plant and equipment

We recorded impairment of property, plant and equipment in the amount of nil in the nine months ended September 30, 2022, compared to RMB60.0 million during the same period in 2023 resulting from the optimization of our production lines and equipment.

Share of (losses)/profits of an associate

We recorded share of losses of an associate in the amount of RMB221 thousand in the nine months ended September 30, 2022, compared to share of profits of an associate in the amount of RMB36 thousand in the nine months ended September 30, 2023, due to the improved business performance and financial results of the associate.

Income tax expense

Our income tax expense increased from RMB527.8 million in the nine months ended September 30, 2022 to RMB731.9 million during the same period in 2023, primarily due to our increased profit before tax.

Profit for the period

As a result of the foregoing, our profit for the period increased by 51.1% from RMB1,623.4 million in the nine months ended September 30, 2022 to RMB2,452.8 million during the same period in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our revenue increased by 31.2% from RMB10,351.0 million in 2021 to RMB13,575.6 million in 2022. Such increase was attributed primarily to the increase in revenue generated from sales of goods and equipment, and to a lesser extent, from franchise and related services.

- ***Sales of goods and equipment***. Revenue from sales of goods and equipment increased by 31.0% from RMB10,154.6 million in 2021 to RMB13,299.4 million in 2022. The increase was primarily fueled by the expansion of our store network throughout China and overseas. The number of our stores increased from 20,001 as of December 31, 2021 to 28,983 as of December 31, 2022. The increase in revenue from sales of goods and equipment was partially offset by (i) the disruptions from the COVID-19 pandemic to the normal operations of our stores, and (ii) our reduction of prices by an average of 15% for 69 store supplies and equipment items sold to our franchisees to ease the impacts from the COVID-19 pandemic in 2022, the sales of which accounted for 23.1% of our total revenue in 2022.

- ***Franchise and related services***. Revenue from franchise and related services increased by 40.6% from RMB196.4 million in 2021 to RMB276.1 million in 2022, primarily driven by our store network expansion throughout China and overseas. The increase in revenue from franchise and related services was partially offset by our decision announced in early 2022 to waive one-year franchise fees for all existing *Mixue* franchisees in China by the end of 2021.

For a detailed discussion regarding the impact of the COVID-19 pandemic on our business and results of operations, see "— Impacts of COVID-19".

Cost of sales

Our cost of sales rose by 36.9% from RMB7,107.1 million in 2021 to RMB9,728.7 million in 2022, which was primarily driven by the increased cost for sales of goods. Our cost for sales of goods increased from RMB6,483.8 million in 2021 to RMB9,060.8 million in 2022, mainly due to the increased procurement and production volumes to support our growing store network in China and overseas.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 18.6% from RMB3,243.9 million in 2021 to RMB3,846.8 million in 2022. Our gross profit margin was 31.3% in 2021 and 28.3% in 2022, respectively.

The decline in our overall gross profit margin was due to the decrease in the gross profit margin for sales of goods, which was the most significant contributor to our revenue during the Track Record Period. The gross profit margin for sales of goods narrowed from 31.4% in 2021 to 27.8% in 2022. This decrease was primarily attributed to (i) increased purchase costs resulting from fluctuations in market prices for certain of our raw materials, and (ii) our reduction of prices by an average of 15% for 69 store supplies and equipment items sold to our franchisees to ease the impacts from the COVID-19 pandemic in 2022, the sales of which accounted for 23.1% of our total revenue in 2022. For a detailed discussion regarding the impact of the COVID-19 pandemic on our business and results of operations, see "— Impacts of COVID-19".

The gross profit margin of our franchise and related services improved from 71.5% in 2021 to 78.2% in 2022, primarily due to enhanced economies of scale as our franchised store network continued to expand with limited incremental costs incurred for our franchise and related services. The increase in the gross profit margin for our franchise and related services was partially offset by our decision announced in early 2022 to waive one-year franchise fees for all existing *Mixue* franchisees in China by the end of 2021.

Other income and gains (net)

Our other income and gains (net) decreased by 5.4% from RMB135.2 million in 2021 to RMB127.9 million in 2022. This was primarily due to the decrease in government grants from RMB79.4 million in 2021 to RMB46.9 million in 2022.

Selling and distribution expenses

Our selling and distribution expenses increased by 90.9% from RMB405.8 million in 2021 to RMB774.4 million in 2022. This increase was mainly driven by a rise in employee compensation of RMB198.8 million due to the expansion of our sales personnel headcount to support our growing business, and the increase in compensation levels for our sales personnel. In particular, we increased our overall employee compensation level in the second half of 2022, including that of our sales personnel, to support our employees during the pandemic. Consequently, selling and distribution expenses experienced a substantial increase during the same year. To a lesser extent, the increased selling and distribution expenses were also attributed to the increases in depreciation of right-of-use assets and property management fees, transportation expenses, and travel and office expenses of RMB53.8 million, RMB51.1 million and RMB40.6 million, respectively, which were generally in line with our business expansion.

Administrative expenses

Our administrative expenses increased by 32.5% from RMB374.7 million in 2021 to RMB496.5 million in 2022. This increase was mainly driven by a rise in (i) employee compensation of RMB44.8 million due to the expansion of our administrative staff headcount to support our business expansion, and the increase in compensation levels for our administrative staff effective from the second half of 2022, and (ii) professional and IT service fees of RMB38.5 million, primarily due to the increase in fees for IT and software services, and management and business consulting services to support our continued business expansion.

Research and development expenses

Our research and development expenses increased by 88.4% from RMB17.2 million in 2021 to RMB32.3 million in 2022, mainly due to our continued efforts to optimize and diversify our product offerings and improve consumer experience. Specifically, the increase was mainly due to a rise in (i) employee compensation of RMB10.0 million due to the expansion of our research and development staff headcount, and the increase in compensation levels for our research and development staff effective from the second half of 2022, and (ii) consumable items of RMB4.2 million utilized and depleted throughout the research and development process.

Finance costs

Our finance costs increased by 53.9% from RMB6.0 million in 2021 to RMB9.2 million in 2022. The increase was primarily attributed to the rise in interests on bank borrowings of RMB2.1 million due to our additional bank loans.

Impairment losses on financial assets

We recorded impairment losses on financial assets of RMB1.8 million and RMB4.1 million in 2021 and 2022, respectively. The rise in our impairment losses on financial assets was attributed to the increased expected credit losses on our trade receivables and other receivables.

Impairment of property, plant and equipment

We recorded impairment of property, plant and equipment in the amount of RMB14.8 million in 2021 and nil in 2022, respectively. In 2021, the new production facility in our Henan production base commenced operations. Consequently, we recorded a provision for impairment loss on legacy production facility and equipment that were phased out.

Share of losses of an associate

We recorded share of losses of an associate in the amount of nil and RMB180 thousand in 2021 and 2022, respectively, as the associate was still ramping up its business.

Income tax expense

Our income tax expense remained stable at RMB646.9 million in 2021 and RMB645.0 million in 2022, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by 5.3% from RMB1,911.9 million in 2021 to RMB2,013.1 million in 2022.

DISCUSSION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth the selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our consolidated financial statements included 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	2,242,617	3,389,291	4,751,016
Total current assets	5,073,766	6,556,065	9,339,239
Total assets	**7,316,383**	**9,945,356**	**14,090,255**
Total non-current liabilities	67,495	127,436	210,791
Total current liabilities	1,706,178	2,338,653	4,025,822
Total liabilities	**1,773,673**	**2,466,089**	**4,236,613**
Net assets	**5,542,710**	**7,479,267**	**9,853,642**
Share capital	360,000	360,000	360,000
Reserves	5,177,351	7,094,297	9,403,465
Non-controlling interests	5,359	24,970	90,177
Total equity	**5,542,710**	**7,479,267**	**9,853,642**

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	1,251,915	1,541,156	2,374,925	2,276,064
Trade receivables	2,030	15,410	28,888	37,791
Prepayments, other receivables and other assets	181,892	304,539	431,517	469,031
Financial assets at fair value through profit or loss	900,237	1,865,676	2,574,790	1,247,685
Restricted cash and time deposits	61,865	65,146	169,906	166,045
Cash and cash equivalents	2,675,827	2,764,138	3,759,213	4,916,452
Total current assets	**5,073,766**	**6,556,065**	**9,339,239**	**9,113,068**
Current liabilities				
Trade payables	596,681	881,806	1,607,958	1,322,223
Other payables and accruals	600,753	910,196	1,405,197	1,279,328
Contract liabilities	305,817	198,305	297,594	282,920
Interest-bearing bank borrowings	30,030	140,088	290,192	240,192
Lease liabilities	50,321	78,813	77,289	72,038
Tax payables	122,576	129,445	347,592	233,863
Total current liabilities	**1,706,178**	**2,338,653**	**4,025,822**	**3,430,564**
Net current assets	**3,367,588**	**4,217,412**	**5,313,417**	**5,682,504**

Our net current assets increased from RMB5,313.4 million as of September 30, 2023 to RMB5,682.5 million as of November 30, 2023, primarily due to the decreases in (i) trade payables of RMB285.7 million, and (ii) other payables and accruals of RMB125.9 million.

Our net current assets increased from RMB4,217.4 million as of December 31, 2022 to RMB5,313.4 million as of September 30, 2023, primarily due to the increases in (i) cash and cash equivalents of RMB995.1 million, (ii) inventories of RMB833.8 million, and (iii) financial assets at fair value through profit or loss of RMB709.1 million. The increase in our net current assets was partially offset by an increase in trade payables of RMB726.2 million.

Our net current assets increased from RMB3,367.6 million as of December 31, 2021 to RMB4,217.4 million as of December 31, 2022, primarily due to the increases in (i) financial assets at fair value through profit or loss of RMB965.4 million, (ii) inventories of RMB289.2 million, and (iii) prepayments, other receivables and other assets of RMB122.6 million.

Inventories

Our inventories primarily consist of (i) finished goods, mainly representing ingredients for the in-store preparation of our freshly-made drinks, as well as packaging materials, (ii) raw materials, such as food commodities, agricultural products and other auxiliary materials and (iii) work in progress, mainly representing ingredients in process.

The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
			(unaudited)
		(RMB in thousands)	
Finished goods	699,806	1,001,747	1,440,368
Raw materials	555,119	513,808	847,692
Work in progress	827	28,387	89,128
Subtotal	**1,255,752**	**1,543,942**	**2,377,188**
Provision for impairment of inventories	(3,837)	(2,786)	(2,263)
Total	**1,251,915**	**1,541,156**	**2,374,925**

Our inventories increased from RMB1,251.9 million as of December 31, 2021 to RMB1,541.2 million as of December 31, 2022, and further to RMB2,374.9 million as of September 30, 2023, which was generally in line with our business expansion over time.

We believe that by maintaining optimal inventory levels, we can meet our franchisees' demand and ensure their satisfaction without compromising our liquidity. To this end, we have put in place a set of policies and procedures to manage our inventories. For details, see "Business — Our Supply Chain — Inventory Management".

The following table sets forth inventories turnover days for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2021	2022	2023
Inventories turnover days[1]	42.7	52.4	48.9

Note:

(1) Inventories 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 inventories turnover days increased from 42.7 days in 2021 to 52.4 days in 2022 primarily due to the slower sell-through of inventories during the COVID-19 pandemic in 2022 which negatively impacted our consumer demands. Subsequently, our inventories turnover days decreased to 48.9 days in the nine months ended September 30, 2023, mainly driven by the recovery in consumer demands post-pandemic.

As of November 30, 2023, RMB1,345.7 million, or 56.6% of our inventories outstanding as of September 30, 2023 had been subsequently sold or utilized.

Trade Receivables

During the Track Record Period, we recorded an immaterial amount of trade receivables, which totaled RMB2.0 million, RMB15.4 million, and RMB28.9 million as of December 31, 2021 and 2022, and September 30, 2023, respectively. These trade receivables primarily represented outstanding amounts due from some corporate customers, to which we supplied certain goods and equipment in accordance with specific credit periods during the Track Record Period.

Prepayments, Other Receivables and Other Assets

Prepayments, other receivables and other assets consist of (i) prepayments made by us in relation to our raw materials procurements, (ii) deposits and other receivables, primarily consisting of deposits for our leased properties, and tax refunds on exports related to our overseas business, (iii) recoverable value-added tax ("VAT"), and (iv) other assets, including deferred expenses and prepaid taxes.

The following table sets forth the details of 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	110,723	131,998	133,929
Deposits and other receivables	26,785	57,948	46,585
Recoverable VAT	26,987	85,570	217,055
Other assets	23,383	37,422	35,671
	187,878	**312,938**	**433,240**
Impairment allowance	(5,986)	(8,399)	(1,723)
Total	**181,892**	**304,539**	**431,517**

Our prepayments, other receivables and other assets increased from RMB181.9 million as of December 31, 2021 to RMB304.5 million as of December 31, 2022. The increase was primarily due to the increases in (i) recoverable VAT of RMB58.6 million relating to our raw materials procurements, (ii) deposits and other receivables of RMB31.2 million, resulting from a rise in VAT tax rebate on exports as we increased sales of goods and equipment to support our overseas store network expansion, and (iii) prepayments of RMB21.3 million in relation to our raw materials procurements, which was generally in line with our business expansion.

Our prepayments, other receivables and other assets further increased to RMB431.5 million as of September 30, 2023, primarily due to an increase in recoverable VAT of RMB131.5 million, mainly relating to our raw materials procurements, and construction in progress.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily represent low-risk wealth management products that we purchased from commercial banks in China. Our financial assets at fair value through profit or loss increased from RMB900.2 million as of December 31, 2021 to RMB1,865.7 million as of December 31, 2022, and further to RMB2,574.8 million as of September 30, 2023. The rise in our financial assets at fair value through profit or loss during the Track Record Period primarily resulted from increased investments aimed at effectively managing the cash flows generated from our operating activities, which was in line with our business expansion and revenue growth.

We have implemented a comprehensive set of internal policies and guidelines to monitor and control investment risks associated with our wealth management product portfolio. Our investment strategy aims to optimize the efficiency of idle funds, generate investment returns for our Shareholders, and minimize investment and financial risks. Guided by this strategy, we primarily invest in low-risk wealth management products with high liquidity and security, offered by reputable commercial banks in China, to minimize our risk exposure. Our finance center is responsible for proposing, analyzing, and evaluating potential investment opportunities. Any proposals for investments in wealth management products or modifications to our existing investment portfolio must receive approval from our senior management before implementation.

Restricted Cash and Time Deposits

Our restricted cash and time deposits consist primarily of deposits for our bank loans and letters of credits, time deposits, and other temporarily restricted cash. Our restricted cash and time deposits amounted to RMB61.9 million, RMB65.1 million and RMB169.9 million as of December 31, 2021 and 2022 and September 30, 2023, respectively.

Cash and Cash Equivalents

We had cash and cash equivalents of RMB2,675.8 million, RMB2,764.1 million and RMB3,759.2 million as of December 31, 2021 and 2022 and September 30, 2023, respectively. See "— Liquidity and Capital Resources — Cash Flow Analysis".

Trade Payables

Our trade payables primarily represent the amounts payable to raw materials suppliers and other product and service providers. Our trade payables increased from RMB596.7 million as of December 31, 2021 to RMB881.8 million as of December 31, 2022, and further to RMB1,608.0 million as of September 30, 2023, which aligned with our business expansion and revenue growth.

The following table sets forth the aging analysis of our trade payables based on the invoice date as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
			(unaudited)
		(RMB in thousands)	
Within 1 month	551,991	826,680	1,386,082
1 to 3 months	31,240	49,550	209,127
3 to 6 months	9,888	3,172	9,528
6 months to 1 year	2,997	875	1,586
Over 1 year	565	1,529	1,635
Total	**596,681**	**881,806**	**1,607,958**

The following table sets forth our trade payables turnover days for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2021	2022	2023
Trade payables turnover days [(1)]	23.9	27.7	31.1

Note:

(1) Trade payables turnover days are based on the 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 payables turnover days increased from 23.9 days in 2021 to 27.7 days in 2022, and further to 31.1 days in the nine months ended September 30, 2023, reflecting the credit treatment extended by suppliers as of the respective dates.

As of November 30, 2023, RMB1,470.7 million, or 91.5% of our trade payables outstanding as of September 30, 2023 had been subsequently settled.

Other Payables and Accruals

Our other payables and accruals mainly include (i) deposit payables, representing amounts deposited by franchisees pursuant to our franchise agreements, which will be returned to the franchisees upon the fulfillment of the franchise agreements, (ii) payroll and welfare payables relating to employee compensation, (iii) accruals and other payables, primarily for expenses related to construction in progress, and (iv) other tax payables.

The following table sets forth the details of 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)		
Deposit payables	261,527	466,082	670,310
Payroll and welfare payables	170,350	256,886	249,497
Accruals and other payables	132,150	146,435	435,520
Other tax payables	36,726	40,793	49,870
Total	**600,753**	**910,196**	**1,405,197**

Our other payables and accruals increased from RMB600.8 million as of December 31, 2021 to RMB910.2 million as of December 31, 2022, primarily due to the increases in (i) deposit payables of RMB204.6 million driven by our franchised store network expansion, and (ii) payroll and welfare payables of RMB86.5 million, which was generally in line with the expansion of our employee headcount, and the increase in compensation levels for our employees.

Our other payables and accruals further increased to RMB1,405.2 million as of September 30, 2023, primarily due to the increases in (i) accruals and other payables of RMB289.1 million as our construction projects advanced, and (ii) deposit payables of RMB204.2 million driven by our franchised store network expansion.

Contract Liabilities

Our contract liabilities primarily comprise payments received in advance of revenue recognition from our franchisees for sales of goods and equipment, and franchise and related services. The following table sets forth the details of our contract liabilities as of the dates indicated.

	As of December 31,		As of September 30,
	2021	2022	2023
			(unaudited)
		(RMB in thousands)	
Current			
Sales of goods and equipment	192,462	74,436	32,314
Franchise and related services	113,355	123,869	265,280
	305,817	198,305	297,594
Non-current			
Franchise and related services	527	6,595	27,011
Total	**306,344**	**204,900**	**324,605**

Our contract liabilities decreased from RMB306.3 million as of December 31, 2021 to RMB204.9 million as of December 31, 2022, primarily due to declined contract liabilities related to sales of goods and equipment. The decline was primarily due to the increased frequency of supplying our stores in line with the enhanced efficiency of our logistics system. This led to the accelerated fulfillment of our contractual obligations and subsequent revenue recognition.

Our contract liabilities rose to RMB324.6 million as of September 30, 2023, primarily due to the increase in contract liabilities associated with franchise and related services. This increase was mainly because we received payments of franchise and related service fees from franchisees with respect to newly opened franchised stores during our network expansion, while revenue associated with these fees were recognized over time throughout the service period.

Interest-bearing Bank Borrowings

Our interest-bearing bank borrowings represent bank loans from commercial banks in China. Our interest-bearing bank borrowings increased from RMB30.0 million as of December 31, 2021 to RMB140.1 million as of December 31, 2022, and further to RMB290.2 million as of September 30, 2023, mainly due to our additional bank loans secured for working capital purposes.

Lease Liabilities

Our lease liabilities pertain to payment obligations for properties leased primarily as our offices and warehouses. The carrying amount of our lease liabilities amounted to RMB112.7 million, RMB141.5 million and RMB139.4 million as of December 31, 2021 and 2022 and September 30, 2023, respectively.

Tax Payables

We recorded tax payables of RMB122.6 million, RMB129.4 million and RMB347.6 million as of December 31, 2021, 2022 and September 30, 2023, respectively.

Property, Plant and Equipment

Our property, plant and equipment consist of construction in progress, buildings, machinery, furniture and fixtures, leasehold improvements, and motor vehicles. The following table sets forth a breakdown of 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)	
Construction in progress	57,139	711,890	892,538
Buildings	546,286	523,864	1,314,781
Machinery	352,551	372,150	687,451
Furniture and fixtures	52,992	59,302	87,774
Leasehold improvements	16,752	20,473	17,714
Motor vehicles	7,777	13,407	13,688
Total	**1,033,497**	**1,701,086**	**3,013,946**

The carrying amount of our property, plant and equipment amounted to RMB1,033.5 million, RMB1,701.1 million and RMB3,013.9 million as of December 31, 2021 and 2022 and September 30, 2023, respectively. The increase in the carrying amount of our property, plant and equipment over time was primarily relating to the expansion of our production bases to support our business growth.

In particular, our construction in progress increased from RMB57.1 million as of December 31, 2021 to RMB711.9 million as of December 31, 2022, and further to RMB892.5 million as of September 30, 2023, which was primarily attributed to the commencement of construction relating to our production capacity expansion.

The carrying amount of our buildings decreased slightly from RMB546.3 million as of December 31, 2021 to RMB523.9 million as of December 31, 2022, primarily due to depreciation during the ordinary course of business. The carrying amount of our buildings subsequently increased to RMB1,314.8 million as of September 30, 2023, primarily due to the completion of several construction projects.

The carrying amount of our machinery increased from RMB352.6 million as of December 31, 2021 to RMB372.2 million as of December 31, 2022, and further to RMB687.5 million as of September 30, 2023, which was primarily attributed to the addition of equipment in our production bases.

Right-of-Use Assets

Our right-of-use assets mainly consist of leased warehouses and office premises and land use rights. Our right-of-use assets increased from RMB166.0 million as of December 31, 2021 to RMB445.6 million as of December 31, 2022. This increase primarily resulted from the acquisition of land use rights for several parcels of land in various locations in China, which are intended for the construction of our production bases and warehouses. Our right-of-use assets slightly decreased to RMB439.3 million as of September 30, 2023, primarily due to depreciation in the ordinary course of business.

Other Non-Current Assets

Our non-current assets mainly consist of (i) prepayments for property, plant and equipment, and (ii) prepayments for other intangible assets, including primarily software used to streamline and optimize our business process. Our other non-current assets increased from RMB999.0 million as of December 31, 2021 to RMB1,166.2 million as of December 31, 2022, primarily due to an increased amount of prepayments for our new office buildings. Our other non-current assets slightly decreased to RMB1,143.3 million as of September 30, 2023, primarily due to the reduction in prepayments for property, plant and equipment upon the completion of the installation of certain equipment.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements mainly from cash generated from our business operations, shareholder contributions and bank loans. After the [**REDACTED**], we intend to finance our future capital requirements through cash generated from our business operations, and the net [**REDACTED**] from the [**REDACTED**]. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future. We had cash and cash equivalents of RMB2,675.8 million, RMB2,764.1 million and RMB3,759.2 million as of December 31, 2021 and 2022 and September 30, 2023, respectively.

Cash Flow Analysis

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

	For the year ended December 31,		For the nine months ended September 30,	
	2021	**2022**	**2022**	**2023**
			(unaudited)	
	(RMB in thousands)			
Operating cash flows before movements in working capital	2,643,793	2,816,683	2,256,509	3,357,947
Changes in working capital	(399,544)	228,172	496,926	281,589
Income tax paid	(590,081)	(658,546)	(407,172)	(584,626)
Interest received	38,221	44,322	32,715	36,781
Net cash flows generated from operating activities	1,692,389	2,430,631	2,378,978	3,091,691
Net cash flows used in investing activities	(1,831,630)	(2,201,861)	(1,547,406)	(1,997,140)
Net cash flows generated from/(used in) financing activities	726,648	(139,261)	(137,783)	(102,786)
Net increase in cash and cash equivalents	**587,407**	**89,509**	**693,789**	**991,765**
Cash and cash equivalents at the beginning of the year/period	2,089,486	2,675,827	2,675,827	2,764,138
Effect of foreign exchange differences (net)	(1,066)	(1,198)	1,361	3,310
Cash and cash equivalents at the end of the year/period	**2,675,827**	**2,764,138**	**3,370,977**	**3,759,213**

Net cash flows generated from operating activities

Net cash flows generated from operating activities in the nine months ended September 30, 2023 was RMB3,091.7 million, which primarily consists of profit before tax of RMB3,184.7 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB110.1 million, (ii) depreciation of right-of-use assets of RMB78.7 million, and (iii) equity-settled share-based payment expenses of RMB8.7 million. The amount was further adjusted by income tax paid of RMB584.6 million, and changes in working capital, primarily including (a) the increase in inventories of RMB834.3 million as we continued to expand our business, (b) the increase in trade payables of RMB735.6 million in line with our business expansion and revenue growth, (c) the increase in other payables and accruals of RMB239.1 million, and (d) the increase in contract liabilities of RMB119.7 million due to store network expansion.

Net cash flows generated from operating activities in 2022 was RMB2,430.6 million, which consists primarily of profit before tax of RMB2,658.0 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB105.3 million, (ii) depreciation of right-of-use assets of RMB75.8 million, and (iii) interest income of RMB44.3 million. The amount was further adjusted by income tax paid of RMB658.5 million, and changes in working capital, primarily including (a) the increase in other payables and accruals of RMB295.3 million, (b) the increase in inventories of RMB291.3 million as we continued to expand our business, (c) the increase in trade payables of RMB286.2 million in line with our business expansion and revenue growth, and (d) the decrease in contract liabilities of RMB101.4 million due to the increased frequency of supplying our stores, supported by the enhanced efficiency of our logistics system.

Net cash flows generated from operating activities in 2021 was RMB1,692.4 million, which consists primarily of profit before tax of RMB2,558.9 million, adjusted for certain non-cash and non-operating items. Adjustments for such non-cash and non-operating items primarily include (i) depreciation of property, plant and equipment of RMB57.2 million, (ii) depreciation of right-of-use assets of RMB42.4 million, and (iii) interest income of RMB38.2 million. The amount was further adjusted by income tax paid of RMB590.1 million, and changes in working capital, primarily including (a) the increase in inventories of RMB842.7 million, (b) the increase in trade payables of RMB261.2 million, (c) the increase in other payables and accruals of RMB194.1 million, and (d) the increase in contract liabilities of RMB131.8 million, all of which were generally in line with our business expansion and revenue growth.

Net cash flows used in investing activities

Net cash flows used in investing activities for the nine months ended September 30, 2023 was RMB1,997.1 million, which consists primarily of (i) purchases of financial assets at fair value through profit or loss of RMB5,001.0 million, (ii) purchases of items of property, plant and equipment of RMB1,313.0 million, and (iii) purchases of other intangible assets of RMB10.2 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB4,336.0 million.

Net cash flows used in investing activities in 2022 was RMB2,201.9 million, which consists primarily of (i) purchases of financial assets at fair value through profit or loss of RMB4,336.0 million, (ii) purchases of items of property, plant and equipment of RMB997.3 million, and (iii) purchases of and prepayments for right-of-use assets of RMB253.9 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB3,396.2 million.

Net cash flows used in investing activities in 2021 was RMB1,831.6 million, which consists primarily of (i) purchases of financial assets at fair value through profit or loss of RMB2,150.0 million, and (ii) purchases of items of property, plant and equipment of RMB944.5 million, partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB1,277.1 million.

Net cash flows generated from/(used in) financing activities

Net cash flows used in financing activities for the nine months ended September 30, 2023 was RMB102.8 million, which consists primarily of (i) dividends paid of RMB100.0 million, (ii) repayment of bank loans of RMB90.0 million, and (iii) principal portion of lease payments of RMB74.4 million, partially offset by proceeds from bank loans of RMB240.0 million.

Net cash flows used in financing activities in 2022 was RMB139.3 million, which consists primarily of (i) dividends paid of RMB104.4 million, (ii) principal portion of lease payments of RMB76.4 million, and (iii) increase in restricted cash of RMB63.3 million, partially offset by proceeds from bank loans of RMB140.0 million.

Net cash flows generated from financing activities in 2021 was RMB726.6 million, which consists primarily of proceeds from issuance of shares of RMB1,120.0 million relating to our Pre-[**REDACTED**] Investment, partially offset by dividends paid of RMB404.4 million.

INDEBTEDNESS

The following table sets forth 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				
Interest-bearing bank borrowings	30,030	140,088	290,192	240,192
Lease liabilities	50,321	78,813	77,289	72,038
Non-current				
Lease liabilities	62,408	62,736	62,072	52,883
Total	**142,759**	**281,637**	**429,553**	**365,113**

For details of our interest-bearing bank borrowings and lease liabilities during the Track Record Period, see "— Discussion of Certain Key Items from Our Consolidated Statements of Financial Position". During the Track Record Period and up to November 30, 2023, we did not have any material contingent liabilities.

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material and adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

Save as otherwise disclosed under sections headed "— Indebtedness" and "— Contractual Obligations", as of November 30, 2023, being the latest practicable date for determining our indebtedness, we did not have any material bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, other recognized lease liabilities, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES AND LONG-TERM INVESTMENTS

The following table sets forth our capital expenditures and long-term investments for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2021	2022	2022	2023
	(RMB in thousands)			
Capital expenditures				
Purchases of items of property, plant and equipment	944,523	997,293	693,221	1,312,960
Purchases of other intangible assets	7,177	8,723	6,438	10,215
Purchases of and prepayments for right-of-use assets – land use rights	673	253,943	163,048	41
Subtotal	**952,373**	**1,259,959**	**862,707**	**1,323,216**
Long-term investments				
Capital injection in an associate	–	3,000	3,000	–
Purchase of equity investments designated at fair value through other comprehensive income	11,400	–	–	–
Increase in time deposits with original maturity of more than three months when acquired	–	–	–	10,056
Subtotal	**11,400**	**3,000**	**3,000**	**10,056**
Total	**963,773**	**1,262,959**	**865,707**	**1,333,272**

We will continue to make capital expenditures to meet the expected growth of our business and our expansion plan. See "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]". We intend to fund our future capital expenditures with financial resources available to us, including our existing cash and bank balances, cash flows generated from our operating activities, and net [**REDACTED**] from the [**REDACTED**].

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments mainly represent the capital expenditure in respect of the purchases of items of property, plant and equipment contracted for but not provided in the historical financial information. Our capital commitments increased from RMB318.7 million as of December 31, 2021 to RMB635.2 million as of December 31, 2022, and further increased to RMB645.0 million as of September 30, 2023, which was in line with the ongoing construction and completion of our production bases.

KEY FINANCIAL RATIOS

	For the year ended/ As of December 31,		For the nine months ended/As of September 30,
	2021	2022	2023
Revenue growth	N/A	31.2%	46.0%
Gross profit margin	31.3%	28.3%	29.7%
Current ratio(1)	3.0	2.8	2.3
Quick ratio(2)	2.2	2.1	1.7

Notes:

(1) Calculated using current assets divided by current liabilities as of the end of the year/period.

(2) Calculated using current assets less inventories and divided by current liabilities as of the end of the year/period.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details of our related party transactions, see Note 38 to the Accountants' Report included in Appendix I to this document.

Our Directors are of the view that each of the related party transactions set out in Note 38 to the Accountants' Report included in Appendix I to this document was conducted in the ordinary course of business 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 track record results or cause our historical results to become non-reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had 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.

FINANCIAL RISKS DISCLOSURE

Our Group's principal financial instruments comprise financial assets at fair value through profit or loss, cash and cash equivalents and interest-bearing bank borrowings. We have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from our financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. Our Board of Directors reviews and agrees on policies for managing each of these risks, which are summarized below.

Foreign Currency Risk

Our Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, our Group has currency exposures from its cash and cash equivalents. The management of our Group considers our Group's exposure to foreign currency risk not significant.

Interest Rate Risk

Our Group's bank balances, other than short-term and long-term bank deposits, expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of our Group considers our Group's exposure to interest rate risk in respect of bank balances and interest-bearing bank and other borrowings not significant.

Credit Risk

Our Group trades only with recognized and creditworthy third parties. It is our Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the management of our Group considers our Group's exposure to bad debts is not significant.

For further details of our credit risk, see Note 41 to the Accountants' Report included in Appendix I to this document.

Liquidity Risk

Our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of our Group to finance the operations and mitigate the effects of fluctuations of cash flows.

For further details of our liquidity risk, see Note 41 to the Accountants' Report included in Appendix I to this document.

DIVIDENDS

In 2021, 2022 and the nine months ended September 30, 2023, our Company declared dividends of RMB104.4 million, RMB104.4 million and RMB100.0 million, respectively, all of which had been paid in full. See Note 12 to the Accountants' Report included in Appendix I to this document for details.

As of the Latest Practicable Date, we did not have a formal dividend policy or a fixed dividend distribution ratio. PRC laws require that dividends be paid only out of our distributable profits. Distributable profits are our after-tax profits, less appropriations to statutory and other reserves that we are required to make. Pursuant to our Articles of Association, our Board may declare dividends in the future after taking into account our results of operations, financial conditions, cash requirements and availability, and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents, applicable PRC laws and approval by our Shareholders.

After the [**REDACTED**], we may declare and pay dividends mainly by cash or by stock that we consider appropriate. Decisions to declare or to pay any dividends in the future, will depend on, among other things, our Company's profitability, operations and development plans, external financing environment, costs of capital, our Company's cash flows and other factors that our Directors may consider relevant. Our ability to distribute dividends in the future also depends on whether we can receive dividends from our subsidiaries.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, taking into account the financial resources available to our Group, including the estimated net [**REDACTED**] from the [**REDACTED**] and the expected cash flows generated from operating activities, we have sufficient working capital for our present requirements and for the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of September 30, 2023, our reserves were RMB12.5 million, which represented our distributable reserve as of the same date.

[REDACTED]

Our [**REDACTED**] mainly include (i) [**REDACTED**], such as [**REDACTED**] fees and commissions, and (ii) [**REDACTED**], comprising professional fees paid to our legal advisors and reporting accountants for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**], and other fees and expenses. Assuming full payment of the discretionary incentive fee, the estimated total [**REDACTED**] (based on the mid-point of the [**REDACTED**] range and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately HK$[**REDACTED**] million, accounting for approximately [**REDACTED**]% of our gross [**REDACTED**]. Among such estimated total [**REDACTED**], we expect to pay [**REDACTED**] of HK$[**REDACTED**] million, professional fees for our legal advisors and reporting accountants of HK$[**REDACTED**] million and other fees and expenses of HK$[**REDACTED**] million. An estimated amount of HK$[**REDACTED**] million for our [**REDACTED**], accounting for approximately [**REDACTED**]% of our gross [**REDACTED**], is expected to be expensed through the statement of profit or loss and an estimated amount of HK$[**REDACTED**] million is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. We did not recognize any [**REDACTED**] in 2021 and 2022. We recognized [**REDACTED**] of RMB[**REDACTED**] million in the nine months ended September 30, 2023 in our consolidated statements of profit or loss and other comprehensive income.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the Latest Practicable Date, there had been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since September 30, 2023, being the end date of the periods reported on in the Accountants' Report set out in Appendix I to this document, and there had 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, except for the amounts due from related parties as disclosed in this section, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

[**REDACTED**]

[**REDACTED**]

Please refer to "Appendix II — Unaudited Pro Forma Financial Information" for further details.

FUTURE PLANS

See "Business — Our Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the midpoint of the range of the [**REDACTED**] stated in this document), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**] after deducting the [**REDACTED**] commissions and other estimated expenses in connection with the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

We intend to use the net [**REDACTED**] we expect to receive from the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) for the purposes and in the amounts set out below.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for elevating the breadth and depth of our end-to-end supply chain. In particular:

  o Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for production capacity expansion in China. The self-production of our store supplies and equipment is one of the critical aspects of our end-to-end supply chain. We believe our strategic and steady investment in production facilities expansion will further strengthen our production capabilities and enable us to effectively meet the growing demand from our consumers.

  In particular, we will build new facilities and upgrade and expand our existing facilities to enhance our production capabilities and efficiency. For instance, we plan to construct new facilities in our Hainan production base dedicated to the production of frozen fruit products, coffee products, syrups and condiments that could offer more diversified ingredient supplies for our drinks, which commenced construction in 2023 and are expected to complete in 2025. In addition, we plan to add production capacities in other production bases in China. Particularly, we will (i) construct new facilities to enhance our self-production capabilities for ice cream powder and other milk products produced using our proprietary innovative techniques, (ii) build ancillary facilities to support our production and R&D efforts, (iii) expand our capacity for other ingredients, such as products of syrups, tea, fruit and condiments, and (iv) increase our production in packaging materials and equipment.

  o Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for maintaining and improving the agility and efficiency of our logistics system in China. We will upgrade our existing warehouses and further expand our warehouse system, which will enlarge our storage capacity, broaden geographic coverage, increase cool temperature and freezing temperature storage, and improve delivery efficiency. We also plan to enhance our delivery capabilities with a cold chain focus. A more distributed and advanced logistics system will increase the connectivity between our factories and store network, accelerate the flow of goods, and better safeguard the quality and freshness of our products.

  - o Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for establishing our international supply chain platform to support the expansion of our overseas business. In particular, we plan to establish a multi-functional supply chain center in Southeast Asia to (i) enhance our local production capabilities for ingredients such as fruit products and condiments, with a special focus on using locally procured raw materials, and (ii) facilitate our international R&D and digitalized supply chain operations. The center will improve our production capabilities and cost efficiency, enable us to adapt to overseas consumer demand and market trends, and effectively support our globalization strategies.

- • Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for brand and IP building and marketing. Leveraging our extensive online and offline presence, we will further enhance our brand equity and raise our brand awareness through conducting multi-dimensional and omni-channel branding and marketing activities centered on our household brand and iconic IP. In particular:

  - o Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for further cultivation of our brand IP. We will continue to exploit Snow King's cultural potential and enhance consumers' recognition of our brand and IP. Particularly, we will expand Snow King's content matrix through curating additional high-quality contents in diverse formats, and continue to launch IP collaboration with various leading brands to expand our brand influence.

  - o Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for our omni-channel marketing efforts. We plan to continue to invest in the marketing materials for our expansive store network and conduct extensive products-related marketing events.

- • Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for advancing our digitalization and intelligization efforts across business processes. In particular:

  - o To empower our franchisees and enhance our store operating efficiency, we will further refine our smart store solutions, including self-developing multi-functional point-of-sale devices which can be integrated into our store operations. In addition, we will invest in a production digitalization program which includes digital production and equipment maintenance system, digital engineering planning, and digital logistics system. Furthermore, we will procure various software for our front-end operations such as consumer management system and intelligent supply chain management system, middle-office and back-office functions, and corresponding hardware.

- Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for working capital and other general corporate purposes.

If the [**REDACTED**] is fixed at the high-end or low-end of the [**REDACTED**] range (assuming the [**REDACTED**] is not exercised), the net [**REDACTED**] will increase or decrease by approximately HK$[**REDACTED**] million (after deducting [**REDACTED**] fees and expenses related to the [**REDACTED**]). We intend to apply the additional or reduced net [**REDACTED**] to the above uses on a pro rata basis.

If the [**REDACTED**] is exercised in full, we will receive additional [**REDACTED**] of approximately HK$[**REDACTED**] million, HK$[**REDACTED**] million and HK$[**REDACTED**] million if the [**REDACTED**] is fixed at the high-end, midpoint and low-end of the [**REDACTED**] range, respectively. We intend to apply the additional net [**REDACTED**] to the above uses on a pro rata basis.

If the net [**REDACTED**] of the [**REDACTED**] are not immediately used for the purposes described above, to the extent permitted by the relevant laws and regulations, we will deposit the net [**REDACTED**] into licensed commercial banks or other authorized financial institutions as defined under relevant laws and regulations, as long as it is deemed to be in the best interests of the Company. We will comply with all disclosure requirements under the Listing Rules if there is any change to the above proposed use of [**REDACTED**].

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The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MIXUE GROUP, MERRILL LYNCH (ASIA PACIFIC) LIMITED, GOLDMAN SACHS (ASIA) L.L.C. AND UBS SECURITIES HONG KONG LIMITED *(IN ALPHABETICAL ORDER OF THE LOGOS ON THE IMPORTANT PAGE)*

Introduction

We report on the historical financial information of MIXUE Group (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-69, which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021 and 2022, 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 (the "Relevant Periods") 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-69 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (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 preparation set out in note 2.1 to the Historical Financial Information 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 preparation set out in note 2.1 to the Historical Financial Information 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 of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of Interim Financial Information

We have reviewed the interim financial information of the Group which comprises the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the nine months ended 30 September 2022 and 2023, and the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2023 and other explanatory information (the "Interim Financial Information"). The directors of the Company are responsible for the preparation of the Interim Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. 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 inquiries, 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 preparation set out in note 2.1 to the Historical Financial Information.

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 12 to the Historical Financial Information which contains information about dividends declared or paid by the Company in respect of the Relevant Periods.

Certified Public Accountants
Hong Kong
[●], 2024

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* (unaudited)	*RMB'000* (unaudited)
REVENUE	*5*	10,350,986	13,575,577	10,543,240	15,393,328
Cost of sales		(7,107,124)	(9,728,740)	(7,572,013)	(10,817,689)
Gross profit		3,243,862	3,846,837	2,971,227	4,575,639
Other income and gains (net)	*6*	135,181	127,915	79,828	149,624
Selling and distribution expenses		(405,766)	(774,431)	(528,184)	(992,934)
Administrative expenses		(374,665)	(496,506)	(337,176)	(429,811)
Research and development expenses		(17,151)	(32,304)	(23,852)	(51,343)
Finance costs	*8*	(5,973)	(9,190)	(6,980)	(11,037)
(Impairment losses)/reversal of impairment losses on financial assets		(1,787)	(4,098)	(3,473)	4,480
Impairment of property, plant and equipment		(14,827)	–	–	(59,999)
Share of (losses)/profits of an associate		–	(180)	(221)	36
PROFIT BEFORE TAX	*7*	2,558,874	2,658,043	2,151,169	3,184,655
Income tax expense	*11*	(646,932)	(644,952)	(527,751)	(731,876)
PROFIT FOR THE YEAR/PERIOD		1,911,942	2,013,091	1,623,418	2,452,779
Profit attributable to:					
Owners of the parent		1,910,361	1,996,715	1,616,956	2,400,853
Non-controlling interests		1,581	16,376	6,462	51,926
		1,911,942	2,013,091	1,623,418	2,452,779
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic (RMB)	*13*	5.32	5.55	4.49	6.67
Diluted (RMB)	*13*	5.32	5.55	4.49	6.67

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	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	1,911,942	2,013,091	1,623,418	2,452,779
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	(181)	(1,035)	1,401	1,233
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	(181)	(1,035)	1,401	1,233
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Changes in fair value of equity investments designated at fair value through other comprehensive income	–	–	–	(920)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	–	–	–	(920)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	(181)	(1,035)	1,401	313
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	1,911,761	2,012,056	1,624,819	2,453,092
Attributable to:				
Owners of the parent	1,910,253	1,996,365	1,617,980	2,400,481
Non-controlling interests	1,508	15,691	6,839	52,611
	1,911,761	2,012,056	1,624,819	2,453,092

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 30 September
	Notes	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000* (*unaudited*)
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	1,033,497	1,701,086	3,013,946
Right-of-use assets	*15(a)*	166,031	445,560	439,265
Other intangible assets	*16*	9,029	20,591	23,844
Investment in an associate	*17*	–	2,820	2,856
Equity investment designated at fair value through other comprehensive income	*18*	11,400	11,400	10,480
Deferred tax assets	*30*	23,613	41,598	117,317
Other non-current assets	*19*	999,047	1,166,236	1,143,308
Total non-current assets		2,242,617	3,389,291	4,751,016
CURRENT ASSETS				
Inventories	*20*	1,251,915	1,541,156	2,374,925
Trade receivables	*21*	2,030	15,410	28,888
Prepayments, other receivables and other assets	*22*	181,892	304,539	431,517
Financial assets at fair value through profit or loss	*23*	900,237	1,865,676	2,574,790
Restricted cash and time deposits	*24*	61,865	65,146	169,906
Cash and cash equivalents	*24*	2,675,827	2,764,138	3,759,213
Total current assets		5,073,766	6,556,065	9,339,239
CURRENT LIABILITIES				
Trade payables	*25*	596,681	881,806	1,607,958
Other payables and accruals	*26*	600,753	910,196	1,405,197
Contract liabilities	*27*	305,817	198,305	297,594
Interest-bearing bank borrowings	*29*	30,030	140,088	290,192
Lease liabilities	*15(b)*	50,321	78,813	77,289
Tax payables		122,576	129,445	347,592
Total current liabilities		1,706,178	2,338,653	4,025,822
NET CURRENT ASSETS		3,367,588	4,217,412	5,313,417
TOTAL ASSETS LESS CURRENT LIABILITIES		5,610,205	7,606,703	10,064,433

		As at 31 December		As at 30 September
	Notes	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
NON-CURRENT LIABILITIES				
Deferred income	*28*	2,001	58,024	116,805
Lease liabilities	*15(b)*	62,408	62,736	62,072
Deferred tax liabilities	*30*	2,559	81	4,903
Contract liabilities	*27*	527	6,595	27,011
Total non-current liabilities		67,495	127,436	210,791
NET ASSETS		5,542,710	7,479,267	9,853,642
EQUITY				
Equity attributable to owners of the parent				
Share capital	*31*	360,000	360,000	360,000
Reserves	*32*	5,177,351	7,094,297	9,403,465
Non-controlling interests		5,359	24,970	90,177
Total equity		5,542,710	7,479,267	9,853,642

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital (note 31)	Capital reserve* (note 32)	Statutory reserve* (note 32)	Equity-settled share-based payment reserve* (note 32)	Exchange fluctuation reserve* (note 32)	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2021	107,936	1,675,367	–	9,131	(324)	799,363	2,591,473	1,521	2,592,994
Profit for the year	–	–	–	–	–	1,910,361	1,910,361	1,581	1,911,942
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(108)	–	(108)	(73)	(181)
Total comprehensive income for the year	–	–	–	–	(108)	1,910,361	1,910,253	1,508	1,911,761
Issue of shares	5,442	1,114,558	–	–	–	–	1,120,000	–	1,120,000
Acquisition of non-controlling interests	–	(2,529)	–	–	–	–	(2,529)	2,479	(50)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	(1,477)	(1,477)
Equity-settled share-based payment arrangements	–	–	–	22,554	–	–	22,554	–	22,554
Transfer from capital reserve	246,622	(246,622)	–	–	–	–	–	–	–
Transfer from retained profits	–	–	17,297	–	–	(17,297)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	1,328	1,328
Dividends declared	–	–	–	–	–	(104,400)	(104,400)	–	(104,400)
As at 31 December 2021	360,000	2,540,774	17,297	31,685	(432)	2,588,027	5,537,351	5,359	5,542,710

Year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital (note 31)	Capital reserve* (note 32)	Statutory reserve* (note 32)	Equity-settled share-based payment reserve* (note 32)	Exchange fluctuation reserve* (note 32)	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	360,000	2,540,774	17,297	31,685	(432)	2,588,027	5,537,351	5,359	5,542,710
Profit for the year	–	–	–	–	–	1,996,715	1,996,715	16,376	2,013,091
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	(350)	–	(350)	(685)	(1,035)
Total comprehensive income for the year	–	–	–	–	(350)	1,996,715	1,996,365	15,691	2,012,056
Equity-settled share-based payment arrangements	–	–	–	24,981	–	–	24,981	–	24,981
Transfer from retained profits	–	–	21,355	–	–	(21,355)	–	–	–
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	3,920	3,920
Dividends declared	–	–	–	–	–	(104,400)	(104,400)	–	(104,400)
As at 31 December 2022	360,000	2,540,774	38,652	56,666	(782)	4,458,987	7,454,297	24,970	7,479,267

Nine months ended 30 September 2022

	Attributable to owners of the parent								
	Share capital (note 31)	Capital reserve* (note 32)	Statutory reserve* (note 32)	Equity-settled share-based payment reserve* (note 32)	Exchange fluctuation reserve* (note 32)	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	360,000	2,540,774	17,297	31,685	(432)	2,588,027	5,537,351	5,359	5,542,710
Profit for the period (unaudited)	–	–	–	–	–	1,616,956	1,616,956	6,462	1,623,418
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	1,024	–	1,024	377	1,401
Total comprehensive income for the period (unaudited)	–	–	–	–	1,024	1,616,956	1,617,980	6,839	1,624,819
Equity-settled share-based payment arrangements (unaudited)	–	–	–	19,377	–	–	19,377	–	19,377
Transfer from retained profits (unaudited)	–	–	–	–	–	–	–	–	–
Capital contribution from non-controlling interests (unaudited)	–	–	–	–	–	–	–	3,920	3,920
Dividends declared (unaudited)	–	–	–	–	–	(104,400)	(104,400)	–	(104,400)
As at 30 September 2022 (unaudited)	360,000	2,540,774	17,297	51,062	592	4,100,583	7,070,308	16,118	7,086,426

Nine months ended 30 September 2023

	Attributable to owners of the parent									
	Share capital (note 31)	Capital reserve* (note 32)	Statutory reserve* (note 32)	Equity-settled share-based payment reserve* (note 32)	Fair value reserve of financial assets at fair value through other comprehensive income* (note 32)	Exchange fluctuation reserve* (note 32)	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	360,000	2,540,774	38,652	56,666	–	(782)	4,458,987	7,454,297	24,970	7,479,267
Profit for the period (unaudited)	–	–	–	–	–	–	2,400,853	2,400,853	51,926	2,452,779
Other comprehensive income for the period:										
Change in fair value of equity investments at fair value through other comprehensive, net of tax (unaudited)	–	–	–	–	(920)	–	–	(920)	–	(920)
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	548	–	548	685	1,233
Total comprehensive income for the period (unaudited)	–	–	–	–	(920)	548	2,400,853	2,400,481	52,611	2,453,092
Equity-settled share-based payment arrangements (unaudited)	–	–	–	8,687	–	–	–	8,687	–	8,687
Dividends paid to non-controlling shareholders (unaudited)	–	–	–	–	–	–	–	–	(645)	(645)
Transfer from retained profits (unaudited)	–	–	–	–	–	–	–	–	–	–
Capital contribution from non-controlling interests (unaudited)	–	–	–	–	–	–	–	–	13,241	13,241
Dividends declared (unaudited)	–	–	–	–	–	–	(100,000)	(100,000)	–	(100,000)
As at 30 September 2023 (unaudited)	360,000	2,540,774	38,652	65,353	(920)	(234)	6,759,840	9,763,465	90,177	9,853,642

* These reserve accounts comprise the consolidated reserves of RMB5,177,351,000, RMB7,094,297,000 and RMB9,403,465,000 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:		2,558,874	2,658,043	2,151,169	3,184,655
Adjustments for:					
Finance costs	*8*	5,973	9,190	6,980	11,037
Share of losses/(profits) of an associate		–	180	221	(36)
Interest income	*6*	(38,221)	(44,322)	(32,715)	(36,781)
Loss/(gain) on disposal of items of property, plant and equipment	*6*	1,156	303	265	(444)
(Gain)/loss on early termination of leases	*15(c)*	(1,248)	3,851	(701)	(158)
Investment income on financial assets at fair value through profit or loss	*6*	(25,999)	(25,644)	(26,199)	(44,113)
Depreciation of property, plant and equipment	*14*	57,239	105,310	79,650	110,108
Depreciation of right-of-use assets	*15(a)*	42,363	75,782	52,827	78,684
Amortisation of other intangible assets	*16*	1,197	2,672	1,709	2,860
Impairment of inventories	*7*	2,297	2,076	705	523
Impairment losses/(reversal of impairment losses) on financial assets	*7*	1,787	4,098	3,473	(4,480)
Impairment of property, plant and equipment	*14*	14,827	–	–	59,999
Equity-settled share-based payment expenses	*7*	22,554	24,981	19,377	8,687
Foreign exchange differences (net)	*6*	994	163	(252)	(12,594)
		2,643,793	2,816,683	2,256,509	3,357,947
Increase in inventories		(842,719)	(291,317)	(201,997)	(834,292)
Decrease/(increase) in trade receivables		294	(14,114)	(13,446)	(13,975)
Increase in prepayments, other receivables and other assets		(88,419)	(62,411)	(105,918)	(8,692)
(Increase)/decrease in restricted cash		(57,825)	59,969	57,796	(14,633)
Increase in trade payables		261,205	286,160	552,484	735,593
Increase in other payables and accruals		194,118	295,306	183,140	239,102
Increase/(decrease) in contract liabilities		131,801	(101,444)	(29,420)	119,705
Increase in deferred income		2,001	56,023	54,287	58,781

	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 generated from operations		2,244,249	3,044,855	2,753,435	3,639,536
Income tax paid		(590,081)	(658,546)	(407,172)	(584,626)
Interest received		38,221	44,322	32,715	36,781
Net cash flows generated from operating activities		1,692,389	2,430,631	2,378,978	3,091,691
CASH FLOWS USED IN INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(944,523)	(997,293)	(693,221)	(1,312,960)
Proceeds from disposal of items of property, plant and equipment		5,073	893	456	1,133
Purchases of other intangible assets		(7,177)	(8,723)	(6,438)	(10,215)
Purchases of and prepayments for right-of-use assets — land use rights		(673)	(253,943)	(163,048)	(41)
Purchases of financial assets at fair value through profit or loss		(2,150,000)	(4,336,000)	(3,415,906)	(5,001,000)
Proceeds from disposal of financial assets at fair value through profit or loss		1,277,070	3,396,205	2,733,751	4,335,999
Purchase of equity investments designated at fair value through other comprehensive income		(11,400)	–	–	–
Increase in time deposits with original maturity of more than three months when acquired		–	–	–	(10,056)
Capital injection in an associate		–	(3,000)	(3,000)	–
Net cash flows used in investing activities		(1,831,630)	(2,201,861)	(1,547,406)	(1,997,140)

	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/(USED IN) FINANCING ACTIVITIES					
Proceeds from issuance of shares		1,120,000	–	–	–
Proceeds from bank loans		30,000	140,000	90,000	240,000
Repayment of bank loans		–	(30,000)	(30,000)	(90,000)
Interest paid for interest-bearing bank and other borrowings		(1,143)	(3,220)	(2,238)	(4,957)
Acquisition of non-controlling interests		(50)	–	–	–
Principal portion of lease payments		(41,710)	(76,399)	(47,821)	(74,378)
Interest portion of lease payments		(4,800)	(5,912)	(4,684)	(5,976)
Increase in restricted cash		–	(63,250)	(42,560)	(93,321)
Decrease in restricted cash		28,900	–	–	13,250
Dividends paid		(404,400)	(104,400)	(104,400)	(100,000)
Dividends paid to non-controlling equity holders		(1,477)	–	–	(645)
Capital contribution from non-controlling interests		1,328	3,920	3,920	13,241
Net cash flows from/(used in) financing activities		726,648	(139,261)	(137,783)	(102,786)
NET INCREASE IN CASH AND CASH EQUIVALENTS		587,407	89,509	693,789	991,765
Cash and cash equivalents at beginning of year/period		2,089,486	2,675,827	2,675,827	2,764,138
Effect of foreign exchange differences (net)		(1,066)	(1,198)	1,361	3,310
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		2,675,827	2,764,138	3,370,977	3,759,213
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	*24*	2,737,692	2,829,284	3,417,606	3,929,119
Less: Restricted cash and time deposits with original maturities over three months	*24*	(61,865)	(65,146)	(46,629)	(169,906)
Cash and cash equivalents as stated in the statement of financial position and the consolidated statements of cash flows		2,675,827	2,764,138	3,370,977	3,759,213

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2021	As at 31 December 2022	As at 30 September 2023
		RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	33,593	34,243	29,266
Right-of-use assets	*15(a)*	3,876	2,689	3,711
Other intangible assets	*16*	768	2,812	2,712
Investment in subsidiaries		780,155	973,430	1,053,431
Deferred tax assets		13,381	12,550	27,197
Other non-current assets	*19*	302,472	344,322	342,634
Total non-current assets		1,134,245	1,370,046	1,458,951
CURRENT ASSETS				
Due from subsidiaries		347,104	692,825	1,765,158
Prepayments, other receivables and other assets	*22*	7,587	15,857	25,254
Financial assets at fair value through profit or loss	*23*	361,921	585,197	241,239
Restricted cash	*24*	57,795	–	–
Cash and cash equivalents	*24*	1,503,022	1,009,315	417,649
Total current assets		2,277,429	2,303,194	2,449,300
CURRENT LIABILITIES				
Trade payables	*25*	12,689	1,907	1
Due to a subsidiary		15	15	8,947
Other payables and accruals	*26*	275,887	426,035	606,091
Contract liabilities	*27*	109,660	103,542	232,873
Lease liabilities	*15(b)*	1,457	1,537	1,242
Tax payables		4,168	1	12,931
Total current liabilities		403,876	533,037	862,085
NET CURRENT ASSETS		1,873,553	1,770,157	1,587,215
TOTAL ASSETS LESS CURRENT LIABILITIES		3,007,798	3,140,203	3,046,166
NON-CURRENT LIABILITIES				
Lease liabilities	*15(b)*	1,293	–	2,050
Deferred tax liabilities		480	49	1,188
Total non-current liabilities		1,773	49	3,238
NET ASSETS		3,006,025	3,140,154	3,042,928
EQUITY				
Share capital	*31*	360,000	360,000	360,000
Reserves	*32(f)*	2,646,025	2,780,154	2,682,928
Total equity		3,006,025	3,140,154	3,042,928

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

MIXUE Group (the "Company") was registered in the People's Republic of China (the "PRC") as a limited liability company on 30 April 2008. The registered office of the Company is located at Room 16004, Hanhaibeijin Business Center, East Wenhua Road, North Third Ring South, Jinshui District, Zhengzhou, China.

During the Relevant Periods and nine months ended 30 September 2023, the Company and its subsidiaries (together as the "Group") were involved in the operation of sales of goods and equipment as well as provision of franchise and related services.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies. The particulars of principal subsidiaries are set out below:

Name*	Place and date of incorporation/ registration and place of business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhengzhou Baodao Technology Co., Ltd. ("鄭州寶島科技有限公司") (i)	PRC/Chinese Mainland 28 September 2010	RMB100,000,000	100%	–	Sales of products and provision of IT services
Daka International Food Co., Ltd. ("大咖國際食品有限公司") (ii)	PRC/Chinese Mainland 14 March 2013	RMB200,000,000	100%	–	Production
Snow King Smart Supply Chain (Guangdong) Co., Ltd. ("雪王智慧供應鏈(廣東)有限公司") (iii)	PRC/Chinese Mainland 22 June 2018	RMB5,000,000	100%	–	Sales of products
Shangdao Smart Supply Chain Co., Ltd. ("上島智慧供應鏈有限公司") (iii)	PRC/Chinese Mainland 5 July 2018	RMB50,000,000	100%	–	Sales of products
Snow King Smart Supply Chain (Sichuan) Co., Ltd. ("雪王智慧供應鏈(四川)有限公司") (iii)	PRC/Chinese Mainland 23 October 2020	RMB100,000,000	100%	–	Sales of products

The English names of the PRC companies above represent management's best efforts in translating the Chinese names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the Relevant Periods and nine months ended 30 September 2023 or formed a substantial portion of the net assets of the Group.

Notes:

(i) The statutory financial statements of this company for the year ended 31 December 2022 prepared in accordance with the PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Baker Tilly International LLP. No audited statutory financial statements of this company have been prepared for the years ended 31 December 2021.

(ii) The statutory financial statements of this company for the year ended 31 December 2021 and 2022 prepared in accordance with the PRC GAAP was audited by Baker Tilly International LLP.

(iii) No audited statutory financial statements of these companies have been prepared for the years ended 31 December 2021 and 2022.

2.1 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 nine months ended 30 September 2023.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been measured at fair value.

Basis of consolidation

The Historical Financial Information include the financial statements of the Group for the Relevant Periods and nine months ended 30 September 2023. 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 results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in OCI is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not adopted the following new and revised IFRSs that have been issued but are not yet effective in the Historical Financial Information. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1,4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1,4]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that the adoption of them will not have a material impact on the Group's financial position and financial performance.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Investment in an associate

An associate is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the associate. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in an associate.

Fair value measurement

The Group measures its certain of financial assets and equity investments at fair value at the end of each of the Relevant Periods and nine months ended 30 September 2023. 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 Relevant Periods and nine months ended 30 September 2023.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, 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 the statements of 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 of the Relevant Periods and nine months ended 30 September 2023 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 the statements of 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 associates of the same third party;

(iv) one entity is an associate of a third entity and the other entity is a joint venture 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 the statements of 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 rates
	(%)
Buildings	2.38-4.75
Leasehold improvements	20.00-50.00
Machinery	9.50-19.00
Motor vehicles	23.75
Furniture and fixtures	19.00-31.67

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 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 the statements of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 10 years based on the Group's past experiences and different purposes on usages of the software and the authorised period for such uses.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. When no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is 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 any 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:

Warehouses and office premises	1.5-5.0 years
Land use rights	50.0 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 offices 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset 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 or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets measured at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, and financial assets included in prepayments, other receivables and other assets.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income 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 the statements of profit or loss. Dividends are recognised as other income in the statements of 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 other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the statements of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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 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.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings and payables)

After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statements of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statements of profit or loss.

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 the statements of 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

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

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 other comprehensive income 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 of the Relevant Periods and nine months ended 30 September 2023, 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 of the Relevant Periods and nine months ended 30 September 2023 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

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, 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, 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

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, 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 of the Relevant Periods and nine months ended 30 September 2023 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 of the Relevant Periods and nine months ended 30 September 2023 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 each of the Relevant Periods and nine months ended 30 September 2023.

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. The Group has concluded that it is acting as a principal in all of its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Group primarily generates its revenue from sales of goods and equipment and provision of franchise and related service to franchisees. Further details of the Group's revenue recognition policies are as follows:

(a) Sales of goods and equipment

Revenue from the sale of goods and equipment 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 and related services

Under the franchise agreements, the Group provides franchising, management and training services to its franchisees during the franchise period and franchisees pay fixed franchising, management and training fees generally on an annual basis.

During the franchise period, franchisees are granted with franchise rights including trademarks, business model and other management resources. As a result, franchise fee, which is considered as consideration for the Group to provide right to access the Group's intellectual property, is recognised on a straight-line basis over the franchise period if all of the following criteria are met:

- the contract requires, or the customer reasonably expects, that the Group will undertake activities that significantly affect the intellectual property to which the customer has rights;

- the rights granted by the licence directly expose the customer to any positive or negative effects of the Group's activities; and

- those activities do not result in the transfer of a good or a service to the customer as those activities occur.

The Group also provides management and training services to the franchisees during the franchise period through which franchisees enjoy benefits such as business operations support and training for themselves and their employees. Revenue from the provision of management and training services is recognised over the franchise period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

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 liabilities

A contract liability is recognised when a payment is received 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, equipment or services to the customer).

Share-based payments

The Company operates a share award arrangement for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. 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 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 the statement of 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.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of their payroll costs to the central pension scheme. The employees of the Group's subsidiaries in other jurisdictions are required to participate in a defined contribution plan. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions are charged to the statements of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the Historical Financial Information 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 each of the Relevant Periods and nine months ended 30 September 2023. Differences arising on settlement or translation of monetary items are recognised in the statements of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the 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.

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 contained in note 30 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 and nine months ended 30 September 2023, 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.

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).

Impairment of non-financial assets (other than goodwill)

The Group assessed whether there were any indicators of impairment for all non-financial assets (including the right-of-use assets) at 31 December 2021 and 2022 and 30 September 2023. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate to calculate the present value of those cash flows. The carrying amounts of property, plant and equipment, right-of-use assets, other intangible assets, investment in an associate and other non-current assets are set out in notes 14, 15, 16, 17 and 19 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's consolidated results of operations for the purpose of making decisions about resource allocation and performance assessment. Accordingly, no reportable segment information is presented.

Geographical information

(i) Revenue from external customers

The majority of the Group's revenue and operating profits are derived from Mainland China.

Information about major customers

No sales to a single customer accounted for 10% or more of the Group's revenue during the Relevant Periods and nine months ended 30 September 2022 and 2023.

5. REVENUE

Revenue represents income from sales of goods and equipment to franchisees, franchise and related services during the Relevant Periods and nine months ended 30 September 2022 and 2023.

(i) Disaggregated revenue information

	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				
Sales of goods and equipment				
Sales of goods	9,457,660	12,551,043	9,776,336	14,504,715
Sales of equipment	696,944	748,387	560,634	604,842
*Franchise and related services**	196,382	276,147	206,270	283,771
Total revenue from contracts with customers	10,350,986	13,575,577	10,543,240	15,393,328
Timing of revenue recognition				
Goods and services transferred at a point in time	10,172,851	13,323,540	10,356,653	15,133,164
Services transferred over time	178,135	252,037	186,587	260,164
Total revenue from contracts with customers	10,350,986	13,575,577	10,543,240	15,393,328

* The franchise and related services fees are fixed with no variable considerations in accordance with the terms of the contract.

The following table illustrates the amounts of revenue recognised in the Relevant Periods and nine months ended 30 September 2022 and 2023 that were included in the contract liabilities at the beginning of each of the Relevant Periods and nine months ended 30 September 2022 and 2023:

	Year ended 31 December		Nine months ended 30 September	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Sales of goods and equipment	108,956	192,462	192,462	74,436
Franchise and related services	65,587	113,355	108,952	119,196
	174,543	305,817	301,414	193,632

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sales of goods and equipment

The performance obligation is satisfied when customers take possession of and accept the deliveries in stores or appointed locations. For majority of the sales transactions, customers make advance payment before the goods and equipment and services are delivered to them.

Franchise and related services

The performance obligation is satisfied over time when services are rendered. Generally, franchise and related services contracts are for periods ranging from three or four years. Advances are required for the franchise and related services fee on an annual basis.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at end of the Relevant Periods and 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)*
Amounts expected to be recognised as revenue:				
Within one year	305,817	198,305	271,431	297,594
After one year	527	6,595	5,493	27,011
	306,344	204,900	276,924	324,605

The majority of the amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The Group do not have variable consideration which is constrained.

6. OTHER INCOME AND GAINS (NET)

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Government grants	79,441	46,890	10,001	68,004
Interest income	38,221	44,322	32,715	36,781
Investment income on financial assets at fair value through profit or loss:				
– Wealth management products	25,999	25,644	26,199	44,113
(Loss)/gain on disposal of items of property, plant and equipment (net)	(1,156)	(303)	(265)	444
Foreign exchange differences (net)	(994)	(163)	252	12,594
Donations	(35,464)	(11,461)	(7,671)	(38,703)
Others	29,134	22,986	18,597	26,391
	135,181	127,915	79,828	149,624

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Cost of inventories sold*	6,920,242	9,475,817	7,161,959	10,246,309
Transportation expenses	304,663	411,585	325,505	480,167
Depreciation of property, plant and equipment	57,239	105,310	79,650	110,108
Depreciation of right-of-use assets	42,363	75,782	52,827	78,684
Amortisation of other intangible assets	1,197	2,672	1,709	2,860
Employee benefit expenses (including directors', chief executive's and supervisors' remuneration as set out in note 9):				
Wages and salaries	430,643	649,032	469,954	679,315
Equity-settled share-based payment expenses	22,554	24,981	19,377	8,687
Pension scheme contributions, social welfare and other welfare	83,485	146,030	96,772	170,305
Professional service fees	40,150	69,902	52,188	63,644
Impairment of inventories	2,297	2,076	705	523
Impairment of prepayments, other receivables and other assets, net	1,802	3,364	3,029	(4,977)
Impairment of trade receivables, net	(15)	734	444	497
Expense relating to short-term leases	1,097	5,612	3,442	9,450

* The amount of cost of inventories sold as stated herein excludes those included in the depreciation of property, plant and equipment, depreciation of right-of-use assets, impairment of inventories, employee benefit expenses, short-term lease expenses and transportation expenses.

8. 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 bank borrowings	1,173	3,278	2,296	5,061
Interest on lease liabilities	4,800	5,912	4,684	5,976
	5,973	9,190	6,980	11,037

9. DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' REMUNERATION

The directors' remuneration of each of these directors as recorded in the Relevant Periods and nine months ended 30 September 2022 and 2023 is set out below:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000 (unaudited)*
Fees	160	160	120	150
Other emoluments:				
Salaries, allowances and benefits in kind	18,381	20,479	15,083	23,206
Equity-settled share-based payment expenses	1,933	5,555	5,309	2,260
Pension scheme contributions	147	179	128	173
	20,461	26,213	20,520	25,639
	20,621	26,373	20,640	25,789

(a) Independent directors

The fees paid to independent directors during the Relevant Periods and nine months ended 30 September 2022 and 2023 were 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)*
Mr. Li Kai	80	80	60	75
Ms. Huang Yanmin	80	80	60	75
	160	160	120	150

(b) Chief executive, executive directors and supervisors

Details of the emoluments paid or payable to the chief executive, executive directors and supervisors of the Company for their services provided to the Group during the Relevant Periods and nine months ended 30 September 2022 and 2023 are as follows:

	Year ended 31 December 2021					
	Fees	Salaries	Allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:						
Mr. Zhang Hongchao	–	1,490	5,000	29	950	7,469
Mr. Zhang Hongfu	–	1,500	5,000	29	–	6,529
Ms. Luo Jing	–	856	960	29	–	1,845
Supervisors:						
Mr. Xi Yanhe	–	398	956	23	786	2,163
Ms. Yu Min	–	239	505	12	197	953
Ms. Cai Weimiao	–	517	960	25	–	1,502
	–	5,000	13,381	147	1,933	20,461

	Year ended 31 December 2022					
	Fees	Salaries	Allowances and benefits in kind	Pension scheme contributions	Equity-settled share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:						
Mr. Zhang Hongchao	–	1,578	4,101	25	–	5,704
Mr. Zhang Hongfu	–	1,855	4,000	32	4,572	10,459
Ms. Luo Jing	–	1,032	2,329	36	–	3,397
Supervisors:						
Mr. Xi Yanhe	–	897	1,822	32	786	3,537
Ms. Yu Min	–	312	389	23	197	921
Ms. Cai Weimiao	–	693	1,471	31	–	2,195
	–	6,367	14,112	179	5,555	26,213

Details of the emoluments paid or payable to the chief executive, executive directors and supervisors of the Company for their services provided to the Group during the Relevant Periods and nine months ended 30 September 2022 and 2023 are as follows: (continued)

	Nine months ended 30 September 2022 (unaudited)					
	Fees	**Salaries**	**Allowances and benefits in kind**	**Pension scheme contributions**	**Equity-settled share-based payment expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:						
Mr. Zhang Hongchao	–	1,123	3,075	19	–	4,217
Mr. Zhang Hongfu	–	1,352	3,000	23	4,572	8,947
Ms. Luo Jing	–	712	1,747	25	–	2,484
Supervisors:						
Mr. Xi Yanhe	–	600	1,367	23	590	2,580
Ms. Yu Min	–	218	292	15	147	672
Ms. Cai Weimiao	–	494	1,103	23	–	1,620
	–	4,499	10,584	128	5,309	20,520

	Nine months ended 30 September 2023 (unaudited)					
	Fees	**Salaries**	**Allowances and benefits in kind**	**Pension scheme contributions**	**Equity-settled share-based payment expenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chief executive and executive directors:						
Mr. Zhang Hongchao	–	1,606	3,750	28	–	5,384
Mr. Zhang Hongfu	–	1,551	4,896	30	1,963	8,440
Ms. Luo Jing	–	1,855	3,741	33	–	5,629
Supervisors:						
Mr. Xi Yanhe	–	809	1,613	25	238	2,685
Ms. Yu Min	–	304	292	25	59	680
Ms. Cai Weimiao	–	1,176	1,613	32	–	2,821
	–	7,301	15,905	173	2,260	25,639

The fair value of the share award arrangement, which has been recognised in the consolidated statements of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the consolidated statements of profit or loss for each of the Relevant Periods and nine months ended 30 September 2022 and 2023 are included in the above chief executive's, executive directors' and supervisors' remuneration disclosures.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods and nine months ended 30 September 2022 and 2023.

10. FIVE HIGHEST PAID EMPLOYEES

The five individuals with the highest emoluments in the Group during the Relevant Period and the nine months ended 30 September 2022 and 2023 include 2, 2, 2 and 3 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining 3, 3, 3 and 2 highest paid employees who are neither a director nor chief executive of the Company for the years ended 31 December 2021 and 2022 and periods 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	14,656	18,437	13,720	11,266
Equity-settled share based payment expenses	983	983	737	–
Pension scheme contributions	87	96	71	54
	15,726	19,516	14,528	11,320

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)*
Nil to HK$5,000,000	–	–	–	–
HK$5,000,001 to HK$6,000,000	1	–	3	–
HK$6,000,001 to HK$7,000,000	2	–	–	2
HK$7,000,001 to HK$8,000,000	–	3	–	–
	3	3	3	2

11. INCOME TAX

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.

PRC corporate income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the Group's PRC subsidiaries is 25% unless subject to tax exemption set out below.

Certain subsidiaries that are engaged in the "Encouraged Industries in the Western Region" and eligible for the preferential EIT rate of 15%.

Certain subsidiaries that are domiciled and operate in Hainan Free Trade Port which meet the criteria of "more than 60% of the revenue generated from core business" are eligible for the preferential EIT rate of 15%.

Certain subsidiaries are engaged in agricultural product pre-treatment and eligible for relevant tax exemptions.

HK profit tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods and nine months ended 30 September 2022 and 2023, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Taxes on estimated assessable profits elsewhere were calculated at the rates of taxation prevailing in the respective jurisdictions in which the Group operates.

	Year ended 31 December		Nine months ended 30 September	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Current income tax	644,796	665,415	542,327	802,773
Deferred income tax *(note 30)*	2,136	(20,463)	(14,576)	(70,897)
	646,932	644,952	527,751	731,876

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate 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	2,558,874	2,658,043	2,151,169	3,184,655
Tax at the PRC EIT rate of 25%	639,719	664,511	537,792	796,164
Effect of different tax rate	(18,562)	(39,417)	(25,498)	(62,066)
Adjustments in respect of current tax of previous years	1,982	7,538	7,538	3,168
Expenses not deductible for tax	22,179	14,233	9,546	4,726
Research and development super deduction	(1,640)	(4,595)	(3,446)	(4,194)
Tax losses and deductible temporary differences not recognised	3,258	2,682	1,819	4,319
Tax losses utilised from previous periods	(4)	–	–	(10,241)
	646,932	644,952	527,751	731,876

12. DIVIDENDS

	Year ended 31 December		Nine months ended 30 September	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Dividends declared by the Company	104,400	104,400	104,400	100,000

On 18 November 2021, the Company's shareholders approved the 2021 profit distribution plan at an annual general meeting, pursuant to which a dividend of RMB0.29 for every share of the Company's 360,000,000 shares, in an aggregate amount of RMB104,400,000, was paid in November and December 2021 to shareholders of the Company.

On 20 June 2022, the Company's shareholders approved the 2022 profit distribution plan at an annual general meeting, pursuant to which a dividend of RMB0.29 for every share of the Company's 360,000,000 shares, in an aggregate amount of RMB104,400,000, was paid in June 2022 to shareholders of the Company.

On 27 February 2023, the Company's shareholders approved the 2023 profit distribution plan at an annual general meeting, pursuant to which a dividend of RMB0.28 for every share of the Company's 360,000,000 shares, in an aggregate amount of RMB100,000,000, was paid in March 2023 to shareholders of the Company.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year or period attributable to owners of the parent, and the weighted average numbers of ordinary shares of 359,092,971, 360,000,000, 360,000,000 and 360,000,000 during the Relevant Periods and nine months ended 30 September 2022 and 2023, respectively.

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
			(unaudited)	*(unaudited)*
Earnings				
Profit attributable to owners of the parent (RMB'000)	1,910,361	1,996,715	1,616,956	2,400,853
Shares				
Weighted average number of ordinary shares in issue during the year or period used in the basic earnings per share calculation	359,092,971	360,000,000	360,000,000	360,000,000

The Group has no dilutive potential ordinary shares and accordingly, the diluted earnings per share for the Relevant Periods and nine months ended 30 September 2022 and 2023 were the same as the basic earnings per share, respectively.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021							
At 1 January 2021:							
Cost	183,092	14,375	84,686	6,864	16,663	148,300	453,980
Accumulated depreciation and impairment	(1,538)	(4,367)	(15,552)	(3,510)	(5,591)	–	(30,558)
Net carrying amount	181,554	10,008	69,134	3,354	11,072	148,300	423,422
At 1 January 2021, net of accumulated depreciation and impairment	181,554	10,008	69,134	3,354	11,072	148,300	423,422
Additions	33,586	11,464	309,809	6,847	22,632	301,587	685,925
Depreciation provided during the year	(15,733)	(7,608)	(21,921)	(2,089)	(9,888)	–	(57,239)
Disposals	–	(590)	(2,787)	(292)	(115)	–	(3,784)
Transfers	346,879	3,478	12,907	–	29,484	(392,748)	–
Impairment	–	–	(14,591)	(43)	(193)	–	(14,827)
At 31 December 2021, net of accumulated depreciation and impairment	546,286	16,752	352,551	7,777	52,992	57,139	1,033,497
At 31 December 2021:							
Cost	563,557	28,727	400,254	12,871	68,232	57,139	1,130,780
Accumulated depreciation and impairment	(17,271)	(11,975)	(47,703)	(5,094)	(15,240)	–	(97,283)
Net carrying amount	546,286	16,752	352,551	7,777	52,992	57,139	1,033,497
31 December 2022							
At 1 January 2022:							
Cost	563,557	28,727	400,254	12,871	68,232	57,139	1,130,780
Accumulated depreciation and impairment	(17,271)	(11,975)	(47,703)	(5,094)	(15,240)	–	(97,283)
Net carrying amount	546,286	16,752	352,551	7,777	52,992	57,139	1,033,497
At 1 January 2022, net of accumulated depreciation and impairment	546,286	16,752	352,551	7,777	52,992	57,139	1,033,497
Additions	445	16,374	23,146	9,152	28,341	700,543	778,001
Depreciation provided during the year	(24,001)	(12,653)	(42,541)	(3,336)	(22,779)	–	(105,310)
Disposals	(76)	–	(1,369)	(186)	(26)	–	(1,657)
Transfers	1,210	–	40,363	–	774	(45,792)	(3,445)
At 31 December 2022, net of accumulated depreciation and impairment	523,864	20,473	372,150	13,407	59,302	711,890	1,701,086
At 31 December 2022:							
Cost	565,133	45,101	460,387	21,561	96,790	711,890	1,900,862
Accumulated depreciation and impairment	(41,269)	(24,628)	(88,237)	(8,154)	(37,488)	–	(199,776)
Net carrying amount	523,864	20,473	372,150	13,407	59,302	711,890	1,701,086

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 September 2023							
At 1 January 2023:							
Cost	565,133	45,101	460,387	21,561	96,790	711,890	1,900,862
Accumulated depreciation and impairment	(41,269)	(24,628)	(88,237)	(8,154)	(37,488)	–	(199,776)
Net carrying amount	523,864	20,473	372,150	13,407	59,302	711,890	1,701,086
At 1 January 2023, net of accumulated depreciation and impairment	523,864	20,473	372,150	13,407	59,302	711,890	1,701,086
Additions (unaudited)	41,438	6,973	65,833	3,179	16,275	1,352,575	1,486,273
Depreciation provided during the period (unaudited)	(30,892)	(9,984)	(42,045)	(3,027)	(24,160)	–	(110,108)
Disposals (unaudited)	–	–	(617)	(17)	(55)	–	(689)
Transfers (unaudited)	780,371	252	292,130	146	36,412	(1,111,928)	(2,617)
Impairment (unaudited)	–	–	–	–	–	(59,999)	(59,999)
At 30 September 2023, net of accumulated depreciation and impairment (unaudited)	1,314,781	17,714	687,451	13,688	87,774	892,538	3,013,946
At 30 September 2023:							
Cost (unaudited)	1,386,942	52,326	817,236	24,548	149,019	952,537	3,382,608
Accumulated depreciation and impairment (unaudited)	(72,161)	(34,612)	(129,785)	(10,860)	(61,245)	(59,999)	(368,662)
Net carrying amount (unaudited)	1,314,781	17,714	687,451	13,688	87,774	892,538	3,013,946

Company

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021						
At 1 January 2021:						
Cost	–	4,933	189	1,026	1,563	7,711
Accumulated depreciation and impairment	–	(1,422)	(128)	(885)	(917)	(3,352)
Net carrying amount	–	3,511	61	141	646	4,359
At 1 January 2021, net of accumulated depreciation and impairment	–	3,511	61	141	646	4,359
Additions	27,426	1,414	21	813	4,063	33,737
Depreciation provided during the year	(733)	(2,369)	(21)	(242)	(922)	(4,287)
Disposals	–	(176)	(11)	(8)	(21)	(216)
At 31 December 2021, net of accumulated depreciation and impairment	26,693	2,380	50	704	3,766	33,593
At 31 December 2021:						
Cost	27,426	6,171	193	1,679	5,508	40,977
Accumulated depreciation and impairment	(733)	(3,791)	(143)	(975)	(1,742)	(7,384)
Net carrying amount	26,693	2,380	50	704	3,766	33,593

	Buildings	Leasehold improvements	Machinery	Motor vehicles	Furniture and fixtures	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022						
At 1 January 2022:						
Cost	27,426	6,171	193	1,679	5,508	40,977
Accumulated depreciation and impairment	(733)	(3,791)	(143)	(975)	(1,742)	(7,384)
Net carrying amount	26,693	2,380	50	704	3,766	33,593
At 1 January 2022, net of accumulated depreciation and impairment	26,693	2,380	50	704	3,766	33,593
Additions	445	5,755	17	810	1,463	8,490
Depreciation provided during the year	(1,310)	(4,516)	(18)	(241)	(1,727)	(7,812)
Disposals	–	–	(16)	–	(12)	(28)
At 31 December 2022, net of accumulated depreciation and impairment	25,828	3,619	33	1,273	3,490	34,243
At 31 December 2022:						
Cost	27,871	10,972	87	2,489	6,863	48,282
Accumulated depreciation and impairment	(2,043)	(7,353)	(54)	(1,216)	(3,373)	(14,039)
Net carrying amount	25,828	3,619	33	1,273	3,490	34,243
30 September 2023						
At 1 January 2023:						
Cost	27,871	10,972	87	2,489	6,863	48,282
Accumulated depreciation and impairment	(2,043)	(7,353)	(54)	(1,216)	(3,373)	(14,039)
Net carrying amount	25,828	3,619	33	1,273	3,490	34,243
At 1 January 2023, net of accumulated depreciation and impairment	25,828	3,619	33	1,273	3,490	34,243
Additions (unaudited)	–	31	22	–	1,074	1,127
Depreciation provided during the period (unaudited)	(1,016)	(3,254)	(8)	(289)	(1,520)	(6,087)
Disposals (unaudited)	–	–	–	(8)	(9)	(17)
At 30 September 2023, net of accumulated depreciation and impairment (unaudited)	24,812	396	47	976	3,035	29,266
At 30 September 2023:						
Cost (unaudited)	27,871	11,003	109	2,329	7,824	49,136
Accumulated depreciation and impairment (unaudited)	(3,059)	(10,607)	(62)	(1,353)	(4,789)	(19,870)
Net carrying amount (unaudited)	24,812	396	47	976	3,035	29,266

15. LEASES

The Group as a lessee

The Group has lease contracts for items of office premises and warehouses used in its operations. Lump sum payments were made upfront to acquire the land use rights with periods of 50.0 years, and no ongoing payments will be made under the terms of these land use rights. Leases of office premises and warehouses generally have lease terms between 1.5 years and 5.0 years.

(a) Right-of-use assets

Group

The carrying amounts of right-of-use assets and the movements during the Relevant Periods and nine months ended 30 September 2023 are as follows:

	Warehouses and office premises	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2021	68,142	33,046	101,188
Additions	94,962	12,493	107,455
Depreciation charge	(41,486)	(877)	(42,363)
Termination	(249)	–	(249)
As at 31 December 2021 and 1 January 2022	121,369	44,662	166,031
Additions	125,534	253,943	379,477
Depreciation charge	(71,628)	(4,154)	(75,782)
Termination	(24,166)	–	(24,166)
As at 31 December 2022 and 1 January 2023	151,109	294,451	445,560
Additions (unaudited)	79,783	41	79,824
Depreciation charge (unaudited)	(75,064)	(3,620)	(78,684)
Termination (unaudited)	(7,435)	–	(7,435)
As at 30 September 2023 (unaudited)	148,393	290,872	439,265

Company

The carrying amounts of right-of-use assets and the movements during the Relevant Periods and nine months ended 30 September 2023 are as follows:

	Warehouses and office premises
	RMB'000
As at 1 January 2021	5,888
Additions	71
Depreciation charge	(2,083)
As at 31 December 2021 and 1 January 2022	3,876
Additions	878
Depreciation charge	(2,065)
As at 31 December 2022 and 1 January 2023	2,689
Additions (unaudited)	2,508
Depreciation charge (unaudited)	(1,486)
As at 30 September 2023 (unaudited)	3,711

(b) Lease liabilities

Group

The carrying amount of lease liabilities and the movements during the Relevant Periods and nine months ended 30 September 2023 are as follows:

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
At beginning of year/period	60,974	112,729	141,549
New leases	94,962	125,534	79,783
Accretion of interest recognised during the year/period	4,800	5,912	5,976
Payments	(46,510)	(82,311)	(80,354)
Termination	(1,497)	(20,315)	(7,593)
At end of year/period	112,729	141,549	139,361
Analysed into:			
Current portion	50,321	78,813	77,289
Non-current portion	62,408	62,736	62,072

Company

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
At beginning of year/period	4,449	2,750	1,537
New leases	71	878	2,508
Accretion of interest recognised during the year/period	195	115	121
Payments	(1,965)	(2,206)	(874)
At end of year/period	2,750	1,537	3,292
Analysed into:			
Current portion	1,457	1,537	1,242
Non-current portion	1,293	–	2,050

The maturity analysis of lease liabilities is disclosed in note 41 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

Group

	Years ended 31 December		Nine months ended 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Interest on lease liabilities	4,800	5,912	5,976
Depreciation charge of right-of-use assets	42,363	75,782	78,684
(Gain)/loss on early termination of leases	(1,248)	3,851	(158)
Expense relating to short-term leases	1,097	5,612	9,450
Total amount recognised in profit or loss	47,012	91,157	93,952

Company

	Years ended 31 December		Nine months ended 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Interest on lease liabilities	195	115	121
Depreciation charge of right-of-use assets	2,083	2,065	1,486
Expense relating to short-term leases	–	11	45
Total amount recognised in profit or loss	2,278	2,191	1,652

(d) The total cash outflows for leases are disclosed in note 34(c) to the Historical Financial Information.

16. OTHER INTANGIBLE ASSETS

Group

	Software
	RMB'000
31 December 2021	
At 1 January 2021:	
Cost	5,857
Accumulated amortisation	(1,387)
Net carrying amount	4,470
Cost at 1 January 2021, net of accumulated amortisation	4,470
Additions	5,756
Amortisation provided during the year	(1,197)
At 31 December 2021, net of accumulated amortisation	9,029
At 31 December 2021:	
Cost	11,613
Accumulated amortisation	(2,584)
Net carrying amount	9,029

	Software
	RMB'000
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	9,029
Additions	10,790
Transfers	3,445
Amortisation provided during the year	(2,672)
Disposal	(1)
At 31 December 2022, net of accumulated amortisation	20,591
At 31 December 2022:	
Cost	25,837
Accumulated amortisation	(5,246)
Net carrying amount	20,591
30 September 2023	
At 1 January 2023:	
Cost	25,837
Accumulated amortisation	(5,246)
Net carrying amount	20,591
Cost at 1 January 2023, net of accumulated amortisation	20,591
Additions (unaudited)	3,496
Transfer (unaudited)	2,617
Amortisation provided during the period (unaudited)	(2,860)
At 30 September 2023, net of accumulated amortisation (unaudited)	23,844
At 30 September 2023:	
Cost (unaudited)	31,950
Accumulated amortisation (unaudited)	(8,106)
Net carrying amount (unaudited)	23,844

Company

	Software
	RMB'000
31 December 2021	
At 1 January 2021:	
Cost	594
Accumulated amortisation	(27)
Net carrying amount	567
Cost at 1 January 2021, net of accumulated amortisation	567
Additions	284
Amortisation provided during the year	(83)
At 31 December 2021, net of accumulated amortisation	768
At 31 December 2021:	
Cost	878
Accumulated amortisation	(110)
Net carrying amount	768

	Software
	RMB'000
31 December 2022	
At 1 January 2022:	
Cost	878
Accumulated amortisation	(110)
Net carrying amount	768
Cost at 1 January 2022, net of accumulated amortisation	768
Additions	2,185
Amortisation provided during the year	(141)
At 31 December 2022, net of accumulated amortisation	2,812
At 31 December 2022:	
Cost	3,063
Accumulated amortisation	(251)
Net carrying amount	2,812
30 September 2023	
At 1 January 2023:	
Cost	3,063
Accumulated amortisation	(251)
Net carrying amount	2,812
Cost at 1 January 2023, net of accumulated amortisation	2,812
Additions (unaudited)	134
Amortisation provided during the period (unaudited)	(234)
At 30 September 2023, net of accumulated amortisation (unaudited)	2,712
At 30 September 2023:	
Cost (unaudited)	3,197
Accumulated amortisation (unaudited)	(485)
Net carrying amount (unaudited)	2,712

17. INVESTMENT IN AN ASSOCIATE

	As at 31 December 2022	As at 30 September 2023
	RMB'000	*RMB'000* *(unaudited)*
Share of net assets	2,820	2,856

In April 2022, the Group acquired 30% equity interest in Henan Jizhuangxiang Catering Management Co., Ltd. ("Henan Jizhuangxiang"), a domestic company with principle activity of food-selling, at a cash consideration of RMB3,000,000. As the voting power of Henan Jizhuangxiang is determined by subscribed capital contribution under its articles of association, the Group has the power to participate in the financial and operating policy decisions and therefore can exercise significant influence over Henan Jizhuangxiang.

The following table illustrates the aggregate financial information of the Group's associate that is not individually material:

	As at 31 December 2022	As at 30 September 2023
	RMB'000	*RMB'000* *(unaudited)*
Share of the associate's (loss)/profit for the year/period	(180)	36
Share of the associate's total comprehensive (loss)/income	(180)	36
Aggregate carrying amount of the Group's investments in the associate	2,820	2,856

18. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Equity investment designated at fair value through other comprehensive income			
Unlisted equity investment, at fair value			
Guangdong Huicha Catering Management Co., Ltd.	11,400	11,400	10,480

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

19. OTHER NON-CURRENT ASSETS

Group

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Prepayments for property, plant and equipment	996,799	1,166,055	1,136,408
Prepayments for other intangible assets	2,248	181	6,900
	999,047	1,166,236	1,143,308

Company

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Prepayments for property, plant and equipment	302,472	344,322	342,634

20. INVENTORIES

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Raw materials	555,119	513,808	847,692
Finished goods	699,806	1,001,747	1,440,368
Work in progress	827	28,387	89,128
	1,255,752	1,543,942	2,377,188
Provision for impairment of inventories	(3,837)	(2,786)	(2,263)
Total	1,251,915	1,541,156	2,374,925

For the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2023, the impairment of inventories recognised in cost of sales amounted to RMB2,297,000, RMB2,076,000 and RMB523,000, respectively.

21. TRADE RECEIVABLES

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Trade receivables	2,199	16,313	29,593
Impairment	(169)	(903)	(705)
Total	2,030	15,410	28,888

Included in the Group's trade receivables are amounts due from the related parties of nil, RMB7,000 and RMB52,000 as at 31 December 2021 and 2022 and 30 September 2023, respectively, which are recoverable within one year.

Advance payment is normally required for the sale to franchisees except for certain non-franchisee corporate customers to where credits are granted. The credit period is generally 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. In view of the aforementioned and the fact that the Group's trade receivables relate to various diversified customers, there is no significant concentration of credit risk. 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 31 December 2021 and 2022 and 30 September 2023, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Within 1 year	2,000	15,240	28,888
1 to 2 years	30	164	–
2 to 3 years	–	6	–
Total	2,030	15,410	28,888

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
At beginning of year/period	188	169	903
Impairment loss, net	(15)	734	497
Amount written off as uncollectible	(4)	–	(695)
At end of year/period	169	903	705

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. The Group overall considers the characteristics of the shared credit risk and the days past due of the trade receivables to measure the expected credit losses. Majority of the receivables were neither past due nor impaired and relate to diversified customers.

To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Forward-looking information was also incorporated.

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Prepayments	110,723	131,998	133,929
Deposits and other receivables	26,785	57,948	46,585
Recoverable VAT	26,987	85,570	217,055
Other assets	23,383	37,422	35,671
	187,878	312,938	433,240
Impairment allowance	(5,986)	(8,399)	(1,723)
	181,892	304,539	431,517

Except for certain loss allowance provided for deposits and other receivables, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

Included in the Group's prepayments, other receivables and other assets are prepayments and other receivables due to the related parties of RMB289,000, RMB707,000 and RMB621,000 as at 31 December 2021, 2022 and 30 September 2023, respectively, which are recoverable within one year.

Company

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Prepayments	1,368	3,984	14,022
Deposits and other receivables	312	768	1,199
Recoverable VAT	1,487	1,169	243
Other assets	4,499	10,134	9,791
	7,666	16,055	25,255
Impairment allowance	(79)	(198)	(1)
	7,587	15,857	25,254

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Group

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Wealth management products	900,237	1,865,676	2,574,790

Company

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Wealth management products	361,921	585,197	241,239

24. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TIME DEPOSITS

Group

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Current			
Cash and cash equivalents	2,675,827	2,764,138	3,759,213
Time deposits with original maturities over three months	–	–	10,056
Restricted cash	61,865	65,146	159,850
	2,737,692	2,829,284	3,929,119
Denominated in:			
RMB	2,724,724	2,725,303	3,766,867
USD	1,914	20,579	35,784
VND	5,376	55,090	31,218
IDR	5,678	28,312	58,846
THB	–	–	25,657
MYR	–	–	10,747
	2,737,692	2,829,284	3,929,119

The RMB is not freely convertible into other currencies, however, under the Regulations on the Foreign Exchange Control of the PRC and the Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Company

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Current			
Cash and cash equivalents	1,503,022	1,009,315	417,649
Restricted cash	57,795	–	–
	1,560,817	1,009,315	417,649
Denominated in:			
RMB	1,560,817	1,009,315	417,649

25. TRADE PAYABLES

An ageing analysis of the trade payables as at 31 December 2021 and 2022 and 30 September 2023, based on the invoice date, is as follows:

Group

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Within 1 month	551,991	826,680	1,386,082
1 to 3 months	31,240	49,550	209,127
3 to 6 months	9,888	3,172	9,528
6 months to 1 year	2,997	875	1,586
Over 1 year	565	1,529	1,635
	596,681	881,806	1,607,958

Trade payables are non-interest-bearing and normally settled on terms of within 30 days. Included in the Group's trade payables are amounts due to a related party of nil, nil and RMB90,000 as at 31 December 2021 and 2022 and 30 September 2023, respectively.

Company

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Within 1 month	12,541	1,825	1
1 to 3 months	–	20	–
3 to 6 months	121	50	–
6 months to 1 year	27	12	–
	12,689	1,907	1

26. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Payroll and welfare payables	170,350	256,886	249,497
Deposit payables	261,527	466,082	670,310
Accruals and other payables	132,150	146,435	435,520
Other tax payables	36,726	40,793	49,870
	600,753	910,196	1,405,197

Included in other payables and accruals, deposit payables arises from payments from franchisees according to the franchise agreements. Accruals and other payables mainly represent payables for property, plant and equipment.

Included in the Group's other payables and accruals are amounts due to related parties of RMB4,641,000, RMB26,000 and RMB1,234,000 as at 31 December 2021 and 2022 and 30 September 2023, respectively.

Other payables and accruals were non-interest-bearing and repayable on demand.

Company

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Payroll and welfare payables	34,214	46,471	57,132
Deposit payables	236,761	375,592	520,936
Accruals and other payables	3,572	1,817	25,946
Other tax payables	1,340	2,155	2,077
	275,887	426,035	606,091

27. CONTRACT LIABILITIES

Group

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Current:			
Sales of goods and equipment	192,462	74,436	32,314
Franchise and related services	113,355	123,869	265,280
	305,817	198,305	297,594
Non-current:			
Franchise and related services	527	6,595	27,011

Included in the Group's contract liabilities are amounts due to related parties of nil, nil and nil as at 31 December 2021, 2022 and 30 September 2023, respectively.

Company

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Current:			
Franchise and related services	109,660	103,542	232,873

Contract liabilities of the Group mainly arise from the advance payments received from franchisees for goods and equipment and deferred upfront franchise and related services fees from franchised stores.

28. DEFERRED INCOME

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Government grants	2,001	58,024	116,805

Movements in government grants of the Group during the Relevant Periods and nine months ended 30 September 2023 are as follows:

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
At beginning of year/period	–	2,001	58,024
Government grants received	2,010	56,691	60,065
Credited to the consolidated statements of profit or loss during the year/period	(9)	(668)	(1,284)
At end of year/period	2,001	58,024	116,805

The Group received government grants related to capital expenditure incurred for property, plant and equipment. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

29. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2021		
	Effective interest rate	Maturity	RMB'000
	(%)		
Current			
Bank loans – unsecured	4.00	2022	30,030
			30,030

		As at 31 December 2022		
	Note	Effective interest rate	Maturity	RMB'000
		(%)		
Current				
Bank loans – secured	*(i)*	3.10	2023	50,000
Bank loans – unsecured		3.50	2023	90,088
				140,088

	Note	As at 30 September 2023 (unaudited)		
		Effective interest rate	Maturity	RMB'000
		(%)		
Current				
Bank loans – secured	(i)	4.70	2023	50,000
Bank loans – unsecured		2.80-3.00	2024	240,192
				290,192

(i) Certain bank loan amounting to RMB50,000,000 was secured by the Group's restricted bank deposits amounting to RMB50,000,000 as of 31 December 2022 and 30 September 2023.

30. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods and nine months ended 30 September 2023 are as follows:

	Impairment of assets	Unrealised gains arising from intra-group transactions	Losses available for offsetting against future taxable profits	Government grants received not yet recognised as income	Unrealised losses from financial assets at fair value through profit or loss	Lease liabilities	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	2,873	9,080	11,237	–	–	4,426	–	27,616
Deferred tax credited/(charged) to the consolidated statements of profit or loss during the year	1,589	2,938	(4,604)	500	–	10,212	–	10,635
Gross deferred tax assets at 31 December 2021	4,462	12,018	6,633	500	–	14,638	–	38,251
At 1 January 2022	4,462	12,018	6,633	500	–	14,638	–	38,251
Deferred tax credited to the consolidated statements of profit or loss during the year	1,057	314	2,013	14,006	595	7,551	–	25,536
Gross deferred tax assets at 31 December 2022	5,519	12,332	8,646	14,506	595	22,189	–	63,787
At 1 January 2023	5,519	12,332	8,646	14,506	595	22,189	–	63,787
Deferred tax (charged)/credited to the consolidated statements of profit or loss during the period (unaudited)	13,541	28,533	11,987	9,994	(595)	1,768	13,875	79,103
Gross deferred tax assets at 30 September 2023 (unaudited)	19,060	40,865	20,633	24,500	–	23,957	13,875	142,890

As at 31 December 2021 and 2022 and 30 September 2023, deferred tax assets have not been recognised in respect of tax losses of RMB54,027,000, RMB73,768,000 and RMB59,275,000 arising in Mainland China, respectively, which will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of the tax losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

The movements in deferred tax liabilities during the Relevant Periods and nine months ended 30 September 2023 are as follows:

	Right-of-use assets	Unrealised gains from financial assets at fair value through profit or loss	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	(4,426)	–	(4,426)
Deferred tax charged to the consolidated statement of profit or loss during the year	(10,212)	(2,559)	(12,771)
Gross deferred tax liabilities at 31 December 2021	(14,638)	(2,559)	(17,197)
At 1 January 2022	(14,638)	(2,559)	(17,197)
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	(7,551)	2,478	(5,073)
Gross deferred tax liabilities at 31 December 2022	(22,189)	(81)	(22,270)
At 1 January 2023	(22,189)	(81)	(22,270)
Deferred tax charged to the consolidated statement of profit or loss during the period (unaudited)	(3,692)	(4,514)	(8,206)
Gross deferred tax liabilities at 30 September 2023	(25,881)	(4,595)	(30,476)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Net deferred tax assets recognised in the consolidated statement of financial position	23,613	41,598	117,317
Net deferred tax liabilities recognised in the consolidated statement of financial position	2,559	81	4,903

31. SHARE CAPITAL

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Issued and fully paid:			
Ordinary shares	360,000	360,000	360,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
		RMB'000
At 1 January 2021	107,936,491	107,936
Issue of shares	5,442,176	5,442
Transfer from capital reserve*	246,621,333	246,622
At 31 December 2021 and 2022 and 30 September 2023	360,000,000	360,000

* As approved in the extraordinary general meeting held on 6 February 2021, the Company has transferred capital reserve of RMB246,621,333 to share capital with a nominal value of RMB1 per share.

32. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity in the Historical Financial Information.

(a) Statutory reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are required to allocate 10% of the statutory after tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to equity holders of the PRC subsidiaries.

(b) Capital reserve

The capital reserve represents (i) the capital contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries; (ii) the acquisition of minority interest of the Group's subsidiaries and (iii) the corporate reorganization underwent in 2020. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

(c) Equity-settled share-based payment reserve

The equity-settled share-based payment reserve comprises the fair value of equity-settled share-based payment granted, as further explained in Note 33.

(d) Fair value reserve of financial assets at fair value through other comprehensive income

The fair value reserve of financial assets at fair value through other comprehensive income compromises the cumulative loss of equity investment designed as fair value through other comprehensive income, as further explained in Note 18.

(e) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial information of entities of which the functional currency is not RMB.

(f) Reserve movement of the Company

Year ended 31 December 2021

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	1,698,452	–	9,131	(1,482)	1,706,101
Profit for the year	–	–	–	153,834	153,834
Total comprehensive income for the year	–	–	–	153,834	153,834
Issue of shares	1,114,558	–	–	–	1,114,558
Equity-settled share-based payment arrangements	–	–	22,554	–	22,554
Transfer from capital reserves	(246,622)	–	–	–	(246,622)
Transfer from retained profits	–	17,297	–	(17,297)	–
Dividend	–	–	–	(104,400)	(104,400)
At 31 December 2021	2,566,388	17,297	31,685	30,655	2,646,025

Year ended 31 December 2022

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	2,566,388	17,297	31,685	30,655	2,646,025
Profit for the year	–	–	–	213,548	213,548
Total comprehensive income for the year	–	–	–	213,548	213,548
Equity-settled share-based payment arrangements	–	–	24,981	–	24,981
Transfer from retained profits	–	21,355	–	(21,355)	–
Dividend	–	–	–	(104,400)	(104,400)
At 31 December 2022	2,566,388	38,652	56,666	118,448	2,780,154

Nine months ended 30 September 2022

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	2,566,388	17,297	31,685	30,655	2,646,025
Profit for the period (unaudited)	–	–	–	240,156	240,156
Total comprehensive income for the period (unaudited)	–	–	–	240,156	240,156
Equity-settled share-based payment arrangements (unaudited)	–	–	19,377	–	19,377
Dividend (unaudited)	–	–	–	(104,400)	(104,400)
At 30 September 2022 (unaudited)	2,566,388	17,297	51,062	166,411	2,801,158

Nine months ended 30 September 2023

	Capital reserve	Statutory reserve	Equity-settled share-based payment reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	2,566,388	38,652	56,666	118,448	2,780,154
Profit for the period (unaudited)	–	–	–	(5,913)	(5,913)
Total comprehensive income for the period (unaudited)	–	–	–	(5,913)	(5,913)
Equity-settled share-based payment arrangements (unaudited)	–	–	8,687	–	8,687
Dividend (unaudited)	–	–	–	(100,000)	(100,000)
At 30 September 2023 (unaudited)	2,566,388	38,652	65,353	12,535	2,682,928

33. SHARE BASED PAYMENT

The following equity-settled share-based payment was outstanding during the year/period:

	Weighted average exercise price	Number of shares
	RMB per share	*'000*
At 1 January 2021	19.60	569
Granted	19.60	5
Vested	19.60	(5)
Forfeited	19.60	(5)
At 31 December 2021	19.60	564
At 1 January 2022	19.60	564
Granted	19.60	28
Vested	19.60	(13)
Forfeited	19.60	(28)
At 31 December 2022	19.60	551
At 1 January 2022	19.60	564
Granted (unaudited)	19.60	28
Vested (unaudited)	19.60	(13)
Forfeited (unaudited)	19.60	(28)
At 30 September 2022 (unaudited)	19.60	551
At 1 January 2023	19.60	551
Granted (unaudited)	19.60	15
Vested (unaudited)	19.60	(5)
Forfeited (unaudited)	19.60	(5)
At 30 September 2023 (unaudited)	19.60	556

The fair value of equity-settled share-based payment granted was estimated as at the date of grant using recent transaction price, taking into account the terms and conditions upon which the options were granted.

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transaction

During the Relevant Periods and the nine months ended 30 September 2022 and 2023, the Group had non-cash additions to right-of-use assets of RMB94,962,000, RMB125,534,000, RMB97,791,000 and RMB79,783,000 and lease liabilities of RMB94,962,000, RMB125,534,000, RMB97,791,000 and RMB79,783,000, respectively, in respect of lease agreements.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2021

	Bank borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2021	–	60,974
Changes from financing cash flows	30,000	(46,510)
Interest accrued	30	–
New leases	–	94,962
Accretion of interest recognised during the year	–	4,800
Termination of lease contracts	–	(1,497)
At 31 December 2021	30,030	112,729

Year ended 31 December 2022

	Bank borrowings	Lease liabilities
	RMB'000	*RMB'000*
At 1 January 2022	30,030	112,729
Changes from financing cash flows	109,970	(82,311)
Interest accrued	88	–
New leases	–	125,534
Accretion of interest recognised during the year	–	5,912
Termination of lease contracts	–	(20,315)
At 31 December 2022	140,088	141,549

Nine months ended 30 September 2022

	Bank borrowings	Lease liabilities
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*
At 1 January 2022	30,030	112,729
Changes from financing cash flows	59,970	(52,505)
Interest accrued	88	–
New leases	–	97,791
Accretion of interest recognised during the period	–	4,684
Termination of lease contracts	–	(22,886)
At 30 September 2022	90,088	139,813

Nine months ended 30 September 2023

	Bank borrowings	Lease liabilities
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*
At 1 January 2023	140,088	141,549
Changes from financing cash flows	149,912	(80,354)
New leases	–	79,783
Accretion of interest recognised during the period	192	5,976
Termination of lease contracts	–	(7,593)
At 30 September 2023	290,192	139,361

(c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statements of cash flows are as follows:

	Years ended 31 December		Nine months ended 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Within operating activities	1,097	5,612	9,450
Within investing activities	673	253,943	41
Within financing activities	46,510	82,311	80,354
	48,280	341,866	89,845

35. CONTINGENT LIABILITIES

As at 31 December 2021 and 2022 and 30 September 2023, neither the Group nor the Company had any significant contingent liabilities.

36. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and a letter of credit granted to a major supplier are included in notes 29 and 24, respectively, to the Historical Financial Information.

37. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods and nine months ended 30 September 2023:

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Contracted, but not provided for purchase of property, plant and equipment	318,721	635,237	644,963

38. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods and nine months ended 30 September 2022 and 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)*
Sales of products and services to related parties				
Key management personnel	589	–	–	–
Other related parties	53	119	119	49
Purchases of products and services from related parties				
An associate	–	2,767	105	17,068
Other related parties	–	–	–	37
Lease from related parties				
Key management personnel	5,266	497	375	1,625

(b) Other 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)*
Expense				
Key management personnel	458	–	–	–
Other				
Key management personnel	150	–	–	–

Other transaction refers to the transfer of store from a shareholder of the Company in 2021 for an amount of RMB150,000.

(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	18,381	20,479	15,083	25,552
Pension scheme contributions	147	179	128	209
Equity-settled share-based payment expenses	1,933	5,555	5,309	2,260
Total compensation paid to key management personnel	20,461	26,213	20,520	28,021

Further details of directors' and the chief executive's emoluments are included in note 9 to the Historical Financial Information.

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2021 and 2022 and 30 September 2023 are as follows:

31 December 2021

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily	Equity investment	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	11,400	–	11,400
Financial assets at fair value through profit or loss	900,237	–	–	900,237
Trade receivables	–	–	2,030	2,030
Financial assets included in prepayments, other receivables and other assets	–	–	20,799	20,799
Restricted cash	–	–	61,865	61,865
Cash and cash equivalents	–	–	2,675,827	2,675,827
	900,237	11,400	2,760,521	3,672,158

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	596,681
Financial liabilities included in other payables and accruals	393,677
Interest-bearing bank borrowings	30,030
	1,020,388

31 December 2022

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily	Equity investment	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	–	11,400	–	11,400
Financial assets at fair value through profit or loss	1,865,676	–	–	1,865,676
Trade receivables	–	–	15,410	15,410
Financial assets included in prepayments, other receivables and other assets	–	–	49,549	49,549
Restricted cash	–	–	65,146	65,146
Cash and cash equivalents	–	–	2,764,138	2,764,138
	1,865,676	11,400	2,894,243	4,771,319

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
Trade payables	881,806
Financial liabilities included in other payables and accruals	612,517
Interest-bearing bank borrowings	140,088
	1,634,411

30 September 2023

Financial assets	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily	Equity investment	Financial assets at amortised cost	Total
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Equity investments designated at fair value through other comprehensive income	–	10,480	–	10,480
Financial assets at fair value through profit or loss	2,574,790	–	–	2,574,790
Trade receivables	–	–	28,888	28,888
Financial assets included in prepayments, other receivables and other assets	–	–	44,862	44,862
Restricted cash	–	–	159,850	159,850
Time deposits with original maturities over three months	–	–	10,056	10,056
Cash and cash equivalents	–	–	3,759,213	3,759,213
	2,574,790	10,480	4,002,869	6,588,139

Financial liabilities	Financial liabilities at amortised cost
	RMB'000
	(unaudited)
Trade payables	1,607,958
Financial liabilities included in other payables and accruals	1,105,830
Interest-bearing bank borrowings	290,192
	3,003,980

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, financial assets included in prepayments, other receivables and other assets, interest-bearing bank borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance center is responsible for determining the policies and procedures for the fair value management of financial instruments. The finance center reports directly to the chief financial officer and the board of directors. At each reporting date, the finance center 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. The valuation process and results are discussed with the board of directors for annual financial reporting.

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.

For the fair value of the unlisted equity investments at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Financial assets at fair value through profit or loss of the Group were wealth management products with banks in Mainland China, the fair value was based on the quoted price and discount for lack of marketability.

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 investments designated at fair value through other comprehensive income	–	11,400	–	11,400
Financial assets at fair value through profit or loss	271,268	628,969	–	900,237
	271,268	640,369	–	911,637
As at 31 December 2022				
Equity investments designated at fair value through other comprehensive income	–	–	11,400	11,400
Financial assets at fair value through profit or loss	1,366,698	498,978	–	1,865,676
	1,366,698	498,978	11,400	1,877,076

	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 30 September 2023				
Equity investments designated at fair value through other comprehensive income (unaudited)	–	–	10,480	10,480
Financial assets at fair value through profit or loss (unaudited)	692,580	1,882,210	–	2,574,790
	692,580	1,882,210	10,480	2,585,270

The movements in fair value measurements within Level 3 during the Relevant Periods and nine months ended 30 September 2023 are as follows:

	As at 31 December 2022	**As at 30 September 2023**
	RMB'000	*RMB'000 (unaudited)*
Equity investments designated at fair value through other comprehensive income		
At the beginning of year/period	–	11,400
Transfer from Level 2 to Level 3	11,400	–
Total loss recognised in other comprehensive income	–	(920)
At end of year/period	11,400	10,480

During the Relevant Periods and nine months ended 30 September 2023, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers out of Level 3 for financial assets. The fair values of equity investments designated at fair value through other comprehensive income, which were acquired in 2021 has been estimated using a recent transaction price based on assumptions that are not supported by observable market prices or rates. In 2022, RMB11,400,000 was transferred from Level 2 into Level 3, and the fair value has been estimated using the income approach thereafter.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, cash and cash equivalent and interest-bearing bank borrowings. 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, interest rate risk, credit risk and liquidity risk. The management of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

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. In addition, the Group has currency exposures from its cash and cash equivalent. The management of the Company consider the Group's exposure to foreign currency risk not significant.

Interest rate risk

The Group's bank balances, other than short-term and long-term bank deposits, expose to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate. The management of the Company consider the Group's exposure to interest rate risk in respect of bank balances and interest-bearing bank and other borrowings is not significant.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the management of the Company consider the Group's exposure to bad debts is not significant.

Maximum exposure and staging as at 31 December 2021, 2022 and 30 September 2023

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 staging classification as at 31 December 2021 and 2022 and 30 September 2023. The amounts presented are gross carrying amounts for financial assets.

31 December 2021	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	2,199	2,199
Financial assets included in prepayments, other receivables and other assets					
– Normal**	25,086	–	–	–	25,086
– Doubtful**	–	–	1,699	–	1,699
Restricted cash and time deposits					
– Not yet past due	61,865	–	–	–	61,865
Cash and cash equivalents					
– Not yet past due	2,675,827	–	–	–	2,675,827
	2,762,778	–	1,699	2,199	2,766,676

31 December 2022	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	16,313	16,313
Financial assets included in prepayments, other receivables and other assets					
– Normal**	56,249	–	–	–	56,249
– Doubtful**	–	–	1,699	–	1,699
Restricted cash and time deposits					
– Not yet past due	65,146	–	–	–	65,146
Cash and cash equivalents					
– Not yet past due	2,764,138	–	–	–	2,764,138
	2,885,533	–	1,699	16,313	2,903,545

30 September 2023	12-month ECLs	Lifetime ECLs			
	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*	–	–	–	29,593	29,593
Financial assets included in prepayments, other receivables and other assets					
– Normal**	46,585	–	–	–	46,585
Restricted cash and time deposits					
– Not yet past due	169,906	–	–	–	169,906
Cash and cash equivalents					
– Not yet past due	3,759,213	–	–	–	3,759,213
	3,975,704	–	–	29,593	4,005,297

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Historical Financial Information.

** 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".

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalent deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group's financial liabilities as at 31 December 2021 and 2022 and 30 September 2023, based on the contractual undiscounted payments, is as follows:

31 December 2021	Within 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	596,681	–	596,681
Financial liabilities included in other payables and accruals	393,677	–	393,677
Interest-bearing bank borrowings	30,073	–	30,073
Lease liabilities	54,095	65,520	119,615
	1,074,526	65,520	1,140,046

31 December 2022	Within 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	881,806	–	881,806
Financial liabilities included in other payables and accruals	612,517	–	612,517
Interest-bearing bank borrowings	142,036	–	142,036
Lease liabilities	84,196	64,365	148,561
	1,720,555	64,365	1,784,920

30 September 2023	Within 1 year	1 to 5 years	Total
	RMB'000 *(unaudited)*	*RMB'000* *(unaudited)*	*RMB'000* *(unaudited)*
Trade payables	1,607,958	–	1,607,958
Financial liabilities included in other payables and accruals	1,105,830	–	1,105,830
Interest-bearing bank borrowings	294,425	–	294,425
Lease liabilities	82,616	65,398	148,014
	3,090,829	65,398	3,156,227

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 equity holders' 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 equity holders, return capital to equity holders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods and nine months ended 30 September 2023.

The Group monitors capital using a gearing ratio, which is total liabilities divided by total assets. The gearing ratios as at 31 December 2021 and 2022 and 30 September 2023 were as follows:

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Total assets	7,316,383	9,945,356	14,090,255
Total liabilities	1,773,673	2,466,089	4,236,613
Gearing ratio	24.2%	24.8%	30.1%

42. EVENTS AFTER THE RELEVANT PERIODS

There were no significant events after the end of the Relevant Periods and nine months ended 30 September 2023 that require additional disclosure or adjustments.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies comprising the Group in respect of any period subsequent to 30 September 2023.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

The main purpose of this Appendix is to provide potential [**REDACTED**] with an overview of the Articles of Association of the Company, and therefore it may not contain all the information that is important for potential [**REDACTED**].

1 DIRECTORS AND BOARD OF DIRECTORS

(1) Power to Allot and Issue Shares

The Articles of Association does not contain clauses that authorize the Board of Directors to allocate or issue shares. The Board of Directors shall formulate plans for capital, issuance of bonds or other securities and listing, which are subject to approval by the general shareholders' meeting. Any allotment or issue of shares shall be in accordance with the procedures stipulated in applicable laws, administrative regulations and supervision rules.

(2) Power to Dispose Assets of Our Company or Any Subsidiary

The Board of Directors shall determine the authority of external investment, acquisition and sale of assets, asset mortgage, external guarantee matters, entrusted financial management, major transaction, connected transactions, and establish strict review and decision-making procedures; major investment projects shall be reviewed by relevant experts and professionals and reported to the general meeting for approval.

(3) Compensation or Payments for Loss of Office

Any Director may be removed by the general meeting before the expiration of his/her term of office, but such removal shall not prejudice his/her claim for damages under any contract.

(4) Loans to Directors

There are no provisions in the Articles of Association relating to loans to directors.

(5) Giving of Financial Assistance to Purchase the Shares of the Company or Shares of Any Subsidiary

The Company or its subsidiaries shall not provide any financial assistance to the person who purchases or intends to purchase the Company's shares in the form of gifts, advances, guarantees, compensation, loans or otherwise.

(6) Disclosure of Interest in Contracts with the Company or Any Subsidiaries

Directors shall not conclude any contract or engage in any transaction with the Company either in violation of the Articles of Association or without the approval in the general meeting.

(7) Remuneration

The appointment and removal of the members of the Board of Directors, as well as their remuneration and payment methods, shall be adopted by the general meeting by ordinary resolution.

(8) Retirement, Appointment, Removal

The Company shall have a board of directors which shall be accountable to the general meeting. The Board shall consist of seven directors and shall have one chairman, including at least three independent non-executive directors being no less than one-third of the directors of the Company.

Directors shall be elected or replaced by the shareholders' general meeting, and may be removed by the shareholders' general meeting before the expiry of their terms of office. The term of office of the directors shall be 3 years, and the directors may be re-elected and re-appointed.

The term of office of the Directors shall commence from the date of their appointment until the expiry of the term of the current session of the Board. If the term of office of a director expires but re-election is not made responsively, the said director shall continue fulfilling the duties as director pursuant to laws, administrative regulations, departmental rules, the listing rules of the stock exchange of the place where the shares of the Company are listed and the Articles of Association until a new director is elected.

The directors of the Company are natural persons, and none of the following persons shall serve as our Director:

i a person who has no civil capacity or has limited civil capacity;

ii a person who has been sentenced to a term of imprisonment for any of the following crimes and five years have not elapsed since the date on which execution of the sentence was completed: embezzlement, bribery, conversion of property, misappropriation of property, or sabotaging the socialist economic order; or has been deprived of his/her political rights as a result of a criminal conviction and five years have not elapsed since the date on which execution of the sentence was completed;

iii a person who has served as a director, the factory chief, or the general manager of an insolvent and liquidated company or enterprise and is held personally liable for such bankruptcy, and three years have not elapsed since the date when the bankruptcy and liquidation of the company or enterprise are completed;

iv a person who has served as the legal representative of a company or enterprise whose business license was revoked or which is ordered to close down due to any violation of law, and is held personally liable for the revocation, and three years have not elapsed since the date when the revocation occurs;

v a person who has a relatively large sum of debt, which was not paid at maturity;

vi a person who has been banned from entering the securities market by the China Securities Regulatory Commission and such term has not expired;

vii other contents as prescribed by laws, administrative regulations, departmental rules, regulatory documents, supervisory rules of the place where the shares of the Company are listed, or by relevant supervisory authorities.

Election or appointment of a director which violates the aforesaid provisions shall be void. A director who encounters the circumstance set out in the above paragraph during his/her term of office shall be dismissed by the Company.

(9) Borrowing Powers

The Board of Directors shall be entitled to develop proposals for our Company to issue bonds and to list its shares, and that such bond issues or listing of shares must be approved by the general meeting.

2 ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company shall amend the Articles of Association under any of the following circumstances:

(1) After the amendments are made to the PRC Company Law or relevant laws, administrative regulations and securities regulatory rules of the place where the shares of the Company are listed, the provisions of the Articles of Association are in conflict with the amended laws or administrative regulations;

(2) there is a change in the Company's situation, which is inconsistent with the matters recorded in the Articles of Association;

(3) the shareholders' general meeting decides to amend the Articles of Association.

The amendments to the Articles of Association adopted by the shareholders' general meeting shall be submitted to the competent authorities for approval if they are subject to approval by the competent authorities. If there is any change relating to the registered particulars of the Company, application shall be made for registration of the changes in accordance with the laws.

3 VARIATION OF RIGHTS OF EXISTING SHARES OR CLASSES OF SHARES

There are no provisions in the Articles of Association relating to variation of rights of existing shares or classes of shares.

4 SPECIAL RESOLUTIONS – MAJORITIES REQUIRED

Resolutions of the general meeting are divided into ordinary resolutions and special resolutions.

An ordinary resolutions shall be passed by votes representing more than half of the voting rights represented by the shareholders (including proxies) present at the meeting.

A special resolution shall be passed by votes representing at least two-thirds of the voting rights represented by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by ordinary resolutions at a general meeting:

(1) work reports of the Board and the Supervisory Committee;

(2) profit distribution plans and loss recovery plans formulated by the Board;

(3) appointment and removal of members of the Board and members of the Supervisory Committee who are not employee representatives (including removal of any directors before the expiry of their term of office, provided that such removal shall not prejudice the claim of such director for damages under any contract), and their remuneration and method of payment for them;

(4) Annual budget and final accounts, balance sheet, income statement and other financial statements of the Company;

(5) annual reports of the Company;

(6) engagement and dismissal of an accounting firm providing regular audit service to the Company and determination of its remuneration;

(7) matters other than those required by the laws, administrative regulations, the listing rules of the stock exchange of the place where the shares of the Company are listed or the Articles of Association to be adopted by special resolution.

The following matters shall be approved by special resolutions at a general meeting:

(1) increase or reduction of the registered capital of the Company;

(2) division, split, merger, dissolution, and liquidation of the Company;

(3) amendments to the Articles of Association;

(4) purchase or disposal of material assets or provision of external guarantee by the Company within 1 year with an amount exceeding 30% of the latest audited total assets of the Company;

(5) share incentive scheme;

(6) other matters stipulated by laws, administrative regulations, departmental rules, the listing rules of the stock exchange of the place where the Company's shares are listed or the Articles of Association, and other matters considered by the general meeting, by way of ordinary resolution, to have a material impact on the Company and need to be approved by special resolution.

5 VOTING RIGHTS (GENERALLY AND ON A POLL)

Shareholders (including proxy) shall exercise their voting rights according to the number of voting shares they represent, and each share shall have one vote.

Shareholders attending the general meeting shall express one of the following opinions on the proposal submitted for voting: affirmative, negative or abstention. Where any ballot is not completed in full, is completed incorrectly or unintelligibly, or has no vote recorded, the voter shall be deemed to have waived his/her voting rights and the voting result for his/her shares shall be deemed as an "abstention".

If the securities regulatory rules in the place where the shares of the Company are listed require any shareholder to waive his/her voting right with respect to a matter to be resolved or restrict any shareholder to vote for or against any matter to be resolved, no votes cast by such shareholder or his/her proxy shall be counted in the event of any violation of such regulations or restrictions.

6 REQUIREMENTS FOR ANNUAL GENERAL MEETINGS

General meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once in each accounting year within six months after the end of the previous accounting year.

7 ACCOUNTS AND AUDIT

(1) Financial and Accounting Policies

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the requirements of the relevant state authorities. The Company shall prepare financial reports at the end of each accounting year and such financial reports shall be audited and verified in accordance with the laws.

The Board of Directors shall submit to the shareholders at each annual shareholders' general meeting the financial reports prepared by the Company in accordance with relevant laws, administrative regulations, and regulatory documents promulgated by local governments and competent authorities.

The Company shall not establish other accounting books except for the statutory accounting books. The assets of the Company shall not be deposited in any account opened in the name of any individual.

(2) Appointment and Dismissal of Accountants

The Company employs an independent accounting firm that complies with relevant national regulations and regulatory provisions of the place where shares of the Company are listed to conduct accounting statement audit, net asset verification and other related consulting services. The employment period is one year, and can be renewed.

The employment of accounting firms by the Company to provide regular auditing services must be decided by the general meeting, and the Board of Directors shall not appoint accounting firms before the decision of the general meeting.

The Company shall guarantee to provide the accounting firm it employs with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The Company shall notify the accounting firm 30 days in advance when dismissing or no longer renewing the accounting firm. The accounting firm shall be allowed to state its opinions when the general meeting votes on dismissing the accounting firm. If the accounting firm proposes to resign, it shall explain to the general meeting whether the Company has any improper situation.

8 NOTICE OF MEETINGS AND BUSINESS TO BE CONDUCTED THEREAT

The Company shall convene an extraordinary general meeting within 2 months from the date of occurrence of any of the following circumstances:

(1) the number of directors is less than the quorum stipulated in the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;

(2) when the unrecovered losses of the Company amount to one-third of the total amount of its share capital;

(3) when shareholders individually or jointly holding 10% or more of the Company's voting shares so request in writing;

(4) when deemed necessary by the Board;

(5) when proposed by the Supervisory Committee;

(6) other circumstances stipulated by laws, administrative regulations, departmental rules, regulatory rules of the place where the Company's shares are listed or the Articles of Association.

General meetings shall be summoned by the Board in accordance with the laws, except as otherwise provided by laws and regulations or the Articles of Association.

The independent non-executive Directors are entitled to propose to the Board to convene an extraordinary general meeting. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether or not to convene the extraordinary general meeting within 10 days after receiving the proposal from the independent non-executive Directors. If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. If the Board does not agree to convene the extraordinary general meeting, it shall explain the reasons and make an announcement.

The Supervisory Committee shall have the right to propose to the Board to convene an extraordinary general meeting in writing. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the Company's shares are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the proposal. If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. Any change to the original proposal in the notice is subject to the consent of the Supervisory Committee. If the Board does not agree to convene the extraordinary general meeting, or fails to give a reply within 10 days of receipt of the proposal, it is deemed that the Board is unable to perform or fails to perform its duty to convene a shareholders' general meeting, and the Supervisory Committee may convene and preside over the meeting on its own.

Shareholders individually or jointly holding 10% or more of the Company's voting shares shall have the right to request the Board of Directors in writing to convene an extraordinary general meeting and add proposals to the meeting agenda. The Board shall, in accordance with the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or not within 10 days after receipt of the written proposal. If the Board agrees to convene the extraordinary general meeting, a notice of such meeting shall be issued within five days after the resolution of the Board is passed. Any change to the original request made in the notice shall be subject to the consent of the relevant shareholders. If the Board does not agree to convene an extraordinary general meeting or does not reply within 10 days upon receipt of the proposal, the shareholders individually or jointly holding 10% or more of the Company's shares shall have the right to propose to the Supervisory Committee to convene an extraordinary general meeting and add proposals to the meeting agenda, and such proposal shall be made in writing. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days upon receipt of the request. Any changes to the original request in the notice shall be approved by the relevant shareholders. If the Supervisory Committee fails to issue the notice of the general meeting within the prescribed period, it shall be deemed that the Supervisory Committee will not convene and preside over the general meeting, and shareholders individually or jointly holding 10% or more of the Company's shares for 90 days or more consecutively may summon and preside over the meeting by themselves.

When the Company convenes a general meeting, the Board, the Supervisory Committee and shareholders individually or jointly holding 3% or more of the Company's shares shall have the right to submit proposals to the Company.

Shareholders individually or jointly holding 3% or more of the Company's shares may submit ad hoc proposals in writing to the convener 10 days before a general meeting is convened. The convener shall, within 2 days upon receipt of the proposal, issue a supplementary notice of the general meeting which shall contain the contents of the provisional proposal.

Except as provided in the preceding paragraph, the convener shall not amend the proposals set out in the notice of the general meeting or add any new proposals after issuing the notice of the general meeting.

The convenor shall notify the shareholders by way of announcement at least 21 days prior to the annual general meeting (excluding the day on which the day on which the meeting is convened), and shall notify the shareholders by way of announcement at least 15 days prior to the date of the extraordinary general meeting (excluding the day on which the meeting is convened). If laws, regulations and securities regulatory authority of the place where the Company's shares are listed stipulate otherwise, such provisions shall prevail.

9 TRANSFER OF SHARES

Shares of the Company held by the promoters shall not be transferred within one year from the date of establishment of the Company. Shares issued by the Company prior to the public offering of shares shall not be transferred within one year from the date on which the Company's shares are listed and traded on the stock exchange.

Directors, supervisors and senior management of the Company shall declare to the Company their shareholdings in the Company and any changes thereof, and shall not transfer more than 25% of the total number of shares of the Company held by them each year during their terms of office; the shares of the Company held by them shall not be transferred within one year from the date on which the shares of the Company are listed and traded. The above personnel shall not transfer the shares of the Company held by them within half a year after they leave the Company.

If there are other restrictions on transfer of overseas listed shares imposed by relevant provisions of the securities regulatory authority of the place where the shares of the Company are listed, such provisions shall prevail.

10 POWER OF THE COMPANY TO PURCHASE ITS OWN SHARES

The Company shall not buy back its shares, except under one of the following circumstances:

(1) reducing the registered capital of the Company;

(2) merging with another company that holds shares in the Company;

(3) using shares for employee stock ownership plan or share incentives;

(4) shareholders who object to resolutions of the general meeting on merger or division of the Company requesting the Company to buy back their shares;

(5) to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares;

(6) where it is necessary for the Company to preserve its value and shareholders' interest;

(7) other circumstances as permitted by the laws, administrative regulations, and the regulatory rules of the place where the shares of the Company are listed.

The Company may repurchase its shares through public centralised trading or other methods recognized by laws, administrative regulations, the China Securities Regulatory Commission and the stock exchange where the Company's shares are listed. The repurchase of its shares by the Company under the circumstances set out in items (3), (5) and (6) above shall be conducted through public centralised trading.

Where the Company repurchases its shares under the circumstances set out in items (1) and (2) above, a resolution shall be passed at the general meeting of the Company. Where the Company repurchases its shares under the circumstances set out in items (3), (5) and (6) above, a resolution shall be passed at a Board meeting attended by more than two-thirds of the directors.

Where the Company repurchases its shares under the circumstances set out in item (1) above, such shares shall be cancelled within 10 days from the date of repurchase; where the Company repurchases its shares under the circumstances set out in items (2) and (4), such shares shall be transferred or cancelled within 6 months; where the Company repurchases its shares under the circumstances set out in items (3), (5) and (6), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and such shares shall be transferred or cancelled within 3 years.

11 POWER OF ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

There are no provisions in the Articles of Association relating to ownership by subsidiary of our Company of shares in its parent.

12 DIVIDENDS AND OTHER METHODS OF DISTRIBUTION

The Company's profit distribution shall not exceed the scope of its accumulated distributable profits, nor shall it impair the Company's continuous operation capability. Details on the profit distribution policies are as follows:

(1) Distribution principle: the Company implements positive profit distribution policy, attaches importance to the reasonable investment returns to its shareholders and pays attention to the sustainable development of the Company, and maintains the continuity and stability of the profit distribution policy.

(2) Distribution method: the Company may distribute profits in the form of cash, stock or a combination of cash and stock, and to the extent that conditions for the distribution of cash dividends are satisfied, the distribution of cash dividends shall have priority over the distribution of stock dividends.

(3) Dividend distribution period: the Company shall in principle make profit distribution at least once every year. The Board of Directors may propose interim profit distribution and special profit distribution in accordance with the profits and capital requirements of the Company and submit the same to the shareholders' meeting for approval.

(4) Conditions to distribution of cash dividends: Provided that the Company has made profits in the previous fiscal year and the accumulated distributable profits are positive, and the capital requirements of the Company's normal production and operation has been satisfy, the Company shall distribute dividends in cash.

If stock dividends are used for profit distribution, the Board of Directors of the Company shall specify the reasonable factors for profit distribution in the form of stock dividend.

After the shareholders' general meeting makes a resolution on the plan for profit distribution, the Board of Directors shall complete the distribution of dividends (or shares) within two months of the meeting.

13 PROXIES

All shareholders registered on the record date or their proxies are entitled to attend the general meeting, and shall speak and exercise their voting rights at the general meeting in accordance with the relevant laws, regulations, the listing rules of the stock exchange of the place where the Company's shares are listed and the Articles of Association (unless the shareholder waives its voting right in respect of a specific matter in accordance with relevant regulations, for example, that the shareholder holds a substantial interest in a specific transaction or arrangement being voted on).

Individual shareholders who attend the meeting in person shall produce their identity cards or other effective document or proof of identity and stock account card. Proxies of individual shareholders shall produce their valid identity cards and the power of attorney of the shareholder.

Shareholder that is a legal person shall be represented at the meeting by its legal representative or a proxy appointed by the legal representative (which will be regarded as if the legal person shareholder was present in person). If a legal representative attends the meeting, he/she should produce his/her identity card, valid proof that he/she is a legal representative; if a proxy attends the meeting, the proxy should produce his/her identity card, written power of attorney or form to authorize representative issued by the legal representative of the shareholder that is a legal person.

If the shareholder is a recognized clearing house as defined in the relevant ordinances enacted from time to time under the laws of Hong Kong (or its nominee), the shareholder may authorize the corporate representative(s) or one or more persons as it thinks fit to act as its representative(s) at any shareholders' general meeting; however, if more than one person are so authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is authorized, and shall be executed by the authorized person of the recognized clearing house. The person so authorized may attend the meeting on behalf of the recognized clearing house (or its nominee) (without being required to present share certificate, notarized authorization and/or further evidence to prove that he/she is duly authorized) to exercise the rights equivalent to those of other shareholders under the law (including the rights to speak and vote) as if he/she was an individual shareholder of the Company.

The proxy form shall contain a statement that in the absence of instructions from the shareholder the proxy may vote as he/she thinks fit.

If the proxy form for voting is signed by a person authorized by the principal, the power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents, and the proxy form for voting shall be placed at the domicile of the Company or at such other place as specified in the notice convening the meeting.

14 CALLS ON SHARES AND FORFEITURE OF SHARES

There are no provisions in the Articles of Association relating to calls on shares and forfeiture of shares.

15 INSPECTION OF REGISTER OF MEMBERS

The Company shall establish a register of shareholders in accordance with the certificates provided by the securities registration institution. The register of shareholders shall be sufficient evidence of the shareholders' shareholdings in the Company. Shareholders enjoy rights and assume obligations according to the types of shares they hold. Shareholders holding the same kind of shares shall enjoy the same rights and undertake the same obligations.

The Hong Kong branch of register of shareholders is available for inspection by shareholders, but the Company may be permitted to suspend the registration of shareholders on terms equivalent to section 632 of the Companies Ordinance. If laws, administrative regulations, departmental rules, regulatory documents and relevant stock exchange or regulatory authority of the place where the Company's shares are listed contain provisions on the suspension period of the registration of share transfer, such provisions shall prevail.

When the Company convenes a general meeting, distributes dividends, conducts liquidation or engages in other activities that require the confirmation of the identity of shareholders, the Board or the convener of the general meeting shall determine the record date. Shareholders whose names appear on the register of shareholders after the close of trading on the record date shall be the shareholders entitled to relevant interests.

16 QUORUM FOR MEETINGS AND SEPARATE CLASS MEETINGS

There are no provisions in the Articles of Association relating to quorum for general meetings and separate class meetings.

17 RIGHTS OF THE MINORITIES IN RELATION TO FRAUD OR OPPRESSION THEREOF

If Directors or senior management personnel violate laws, administrative regulations, or the provisions of the Articles of Association while performing their duties, causing losses to our Company, shareholders who individually or jointly hold more than 1% of our Company's shares for more than 180 consecutive days have the right to request in writing that the Supervisory Committee file a lawsuit with the people's court; If the Supervisory Committee violates laws, administrative regulations, or the provisions of the Articles of Association while performing its duties, causing losses to our Company, the aforementioned shareholders may request in writing that the Board of Directors file a lawsuit with the people's court. If the Supervisory Committee or the Board of Directors refuses to file a lawsuit after receiving a written request from the shareholders specified above, or fails to file a lawsuit within 30 days from the date of receiving the request, or if the situation is urgent and the failure to file a lawsuit immediately will cause irreparable damage to our Company's interests, the shareholders specified above have the right to directly file a lawsuit in their own name to the people's court for the benefit of our Company. If another person infringes on the legitimate rights and interests of our Company and causes losses to our Company, shareholders who individually or jointly hold more than 1% of our Company's shares for more than 180 consecutive days may file a lawsuit with the people's court in accordance with the above provisions.

If Directors or senior management personnel violate laws, administrative regulations, or the provisions of the Articles of Association and harm the interests of shareholders, shareholders may file a lawsuit with the people's court.

If shareholders of the Company abuse their Shareholder rights and cause losses to our Company or other shareholders, they shall bear compensation liability in accordance with the law. If a Company's shareholders abuse the independent status of our Company's legal person and the limited liability of shareholders, evade debts, and seriously harm the interests of our Company's creditors, they shall bear joint and several liability for our Company's debts.

The controlling shareholders and actual controllers of our Company shall not use their affiliated relationships to harm the interests of our Company. Those who violate regulations and cause losses to our Company shall be liable for compensation. The controlling shareholders and actual controllers of our Company have a fiduciary obligation towards our Company and the general public shareholders of our Company. The controlling shareholder shall strictly exercise the rights of the investor in accordance with the law. The controlling shareholder shall not use profit distribution, asset restructuring, external investment, fund occupation, loan guarantee, etc. to harm the legitimate rights and interests of our Company and the general public shareholders of our Company, and shall not use their controlling position to harm the interests of our Company and the general public shareholders of our Company.

18 PROCEDURES ON LIQUIDATION

The Company shall be dissolved for the following reasons:

(1) the term of its operations as is stipulated in the Articles of Association has expired or events of dissolution specified in the Articles of Association have occurred;

(2) the shareholders' general meeting resolves to dissolve the Company;

(3) dissolution is necessary due to merger or division of the Company;

(4) the Company's business licence is revoked, the Company is ordered to close down or be revoked in accordance with the law;

(5) Where the Company encounters serious difficulties in its operation and management and its continuous existence will cause significant losses to the interests of shareholders, and such difficulties cannot be resolved through other means, shareholders holding 10% or more of the voting rights of all shareholders of the Company request the people's court to dissolve the Company.

Where the Company is dissolved pursuant to items (1), (2), (4) and (5) above, a liquidation committee shall be established and the liquidation shall commence within 15 days after the occurrence of the cause of dissolution. The liquidation committee shall be composed of directors or persons determined by the shareholders' general meeting. If a liquidation committee is not established within the time limit, the creditors may apply to the people's court to designate relevant personnel to form a liquidation committee to carry out liquidation.

The liquidation committee shall notify creditors within 10 days from the date of its establishment, and publish an announcement in the designated newspapers and periodicals and in the manner required by the stock exchange of the place where the Company's shares are listed within 60 days.

If the liquidation committee discovers that the Company's assets are insufficient to repay its debts after cleaning up the Company's assets and preparing a balance sheet and an inventory of assets, it shall apply to the people's court for a declaration of insolvency in accordance with the law.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report which shall be submitted to the shareholders' general meeting or the people's court for confirmation, and shall submit the same to the company registration authority, apply for cancellation of the company's registration, and publish an announcement on the termination of the company.

19 ANY OTHER PROVISIONS MATERIAL TO THE COMPANY OR THE SHAREHOLDERS THEREOF

(1) General Provisions

Our Company is a permanently existing joint stock limited company.

All the assets of the Company are divided into shares of equal value. The shareholders are responsible for the Company to the extent of their subscribed shares, and the Company is responsible for the Company's debts with all its assets.

The Articles of Association shall, from the date on which they take effect, be the legally binding document that regulates the organization and activities of the Company and the relationship of rights and obligations as between the Company and the shareholders and among the shareholders, and shall be legally binding on the Company, the shareholders, the directors, the supervisors and senior officers. Based on the Articles of Association, any shareholder may bring a lawsuit against another shareholder, a director, a supervisor, a general manager or any other senior officer. Any shareholder may bring a lawsuit against the Company, and the Company may bring a lawsuit against any shareholder, director, supervisor, general manager or any other senior officer.

(2) Capital Increase and Capital Reduction

The Company may, based on its business and development needs and in accordance with the laws, regulations and the securities regulatory rules of the place where the Company's shares are listed, increase its capital in the following ways, subject to separate resolutions of the shareholders' general meeting:

i Public offering of shares;

ii Non-public issuance of shares;

iii distributing bonus shares to its existing shareholders;

iv Conversion of capital reserve into share capital;

v other means as is stipulated by laws, administrative regulations, or as approved by relevant regulatory authorities such as the securities regulatory authority of the State Council and the regulatory authority of the place where the Company's shares are listed.

The Company may reduce its registered capital. When the Company needs to reduce its registered capital, it must prepare a balance sheet and an inventory of assets.

The Company shall reduce its registered capital in accordance with the procedures stipulated in the PRC Company Law and other relevant regulations as well as the Articles of Association.

(3) Shareholders

Shareholders of the Company shall enjoy the following rights:

i to receive dividends and other distributions in proportion to the number of shares held;

ii to request to convene, summon, preside over, attend or appoint a proxy to attend shareholders' general meetings in accordance with the laws, and to exercise the corresponding rights to vote;

iii to supervise the operation of the Company, making suggestions or inquiries;

iv to transfer, give or pledge the shares held by them in accordance with the laws, administrative regulations and the Articles of Association;

v to review the Articles of Association, the register of members, counterfoils of corporate bonds, minutes of general meetings, resolutions of the Board meetings, resolutions of the Supervisory Committee meetings and financial and accounting reports;

vi in the event of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company in proportion to the number of shares held;

vii to request the Company to buy back the shares of shareholders objecting to resolutions of the general meeting concerning merger or division of the Company;

viii other rights stipulated by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are listed or the Articles of Association.

Shareholders of the Company shall assume the following obligations:

i to abide by laws, administrative regulations and the Articles of Association;

ii to pay subscription monies according to the number of shares subscribed and the method of subscription;

iii not to make divestment unless under the circumstances stipulated by laws and regulations;

iv not to abuse the rights of shareholders to damage the interests of the Company or that of other shareholders; not to abuse the independent status of the Company as a legal person and the limited liability of shareholders to damage the interests of the creditors of the Company;

v other obligations imposed by laws, administrative regulations, departmental rules, regulatory documents and listing rules of the stock exchange of the place where the Company's shares are listed and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and cause losses to the Company or other shareholders shall be liable for compensation in accordance with the law. Shareholders of the Company who abuse the independent status of the Company as a legal person and the limited liability of shareholders to evade debts and seriously damage the interests of the creditors of the Company shall bear joint and several liabilities for the debts of the Company.

(4) Board of Directors

The Board shall exercise the following powers:

i to summon general meetings and report its work to the general meetings;

ii to implement the resolutions of the general meeting;

iii to decide on the Company's business plans and investment plans;

iv to formulate the Company's annual financial budgets and final accounts;

v to formulate the Company's profit distribution plans and loss recovery plans;

vi to formulate proposals for the increase or reduction of the Company's registered capital, the issue of bonds or other securities and listing plans;

vii to formulate plans for material acquisitions, purchase of shares of the Company or merger, division, dissolution and change of corporate form of the Company;

viii to decide on the Company's external investment, acquisition and disposal of assets, pledge of assets, external guarantees, entrusted wealth management, connected transactions, external loans and other matters within the scope authorized by the general meeting;

ix to decide on the establishment of the Company's internal management bodies;

x to appoint or remove the Company's general manager and secretary of Board of Directors, to appoint or remove the Company's deputy general manager, chief financial officer and other senior management based on the nomination of the general manager, and decide on their remuneration, rewards and punishments;

xi to formulate the basic management system of the Company;

xii to formulate proposals for any amendment to the Articles of Association;

xiii to manage the information disclosure of the Company;

xiv to propose to the general meeting the appointment or replacement of the accounting firm that audits the Company;

xv to listen to the work report of the general manager of the Company and inspect his/her work of the general manager;

xvi to examine and approve transactions requiring decisions of the Board (including, without limitation, transactions subject to disclosure and connected transactions) in accordance with the regulatory rules of the place where the Company's shares are listed;

xvii other functions and powers conferred by laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's shares are listed or the Articles of Association.

For the Board of Directors to make the aforesaid resolutions, except for the above items vi, vii and xii and matters required by laws, administrative regulations, departmental rules, listing rules of the stock exchange of the place where the Company's shares are listed and these Articles of Association to be subject to the approval of two thirds of the directors, the other matters may be resolved by more than half of the directors.

Matters beyond the scope of authorization of the general meeting shall be submitted to the general meeting for consideration.

(5) Duties of Directors

Directors shall abide by laws, administrative regulations, departmental rules, listing rules of the stock exchange where the Company's shares are listed and the Articles of Association, and shall owe the following fiduciary duties to the Company:

i Directors shall not abuse their authority by accepting bribes or other illegal income, and shall not embezzle the Company's property;

ii Directors shall not misappropriate the Company's funds;

iii Directors shall not deposit Company's assets into accounts held in their own names or in the name of any other individual;

iv Directors shall not, in violation of the Articles of Association, loan Company's funds to any other person or give Company's assets as security for the debt of any other person without the approval of the general meeting or the Board of Directors;

v Directors shall not conclude any contract or engage in any transaction with the Company either in violation of the Articles of Association or without the approval of the general meeting;

vi Directors shall not use the advantages provided by their own positions to pursue business opportunities that properly belong to the Company to engage in the same business as the Company either for their own account or for the account of any other person without the approval of the general meeting;

vii Directors shall not accept commissions paid by others for transactions conducted with the Company as their own;

viii Directors shall not disclose confidential Company's information without authorization;

ix Directors shall not abuse their connected relationships to damage the Company's interests;

x Directors shall have other fiduciary obligations stipulated in laws, administrative regulations, departmental rules and the Articles of Association.

Any income obtained by a director in violation of above provisions shall belong to the Company; if losses are caused to the Company, the director shall be liable for compensation.

Directors shall abide by laws, administrative regulations and the Articles of Association, and have the following diligent obligations to the Company:

i Directors shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and state economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;

ii Directors shall treat all shareholders fairly;

iii Directors shall maintain a timely awareness of the operation and management of the Company;

iv Directors shall sign written statements confirming the regular reports of the Company, and ensure that the information disclosed by the Company is true, accurate and complete;

v Directors shall provide accurate information and materials to the Supervisory Committee and shall not obstruct the Supervisory Committee or individual supervisors from performing its or their duties;

vi Directors shall have other obligations of diligence stipulated in laws, administrative regulations, departmental rules, the Articles of Association and regulatory rules in the place where shares of the Company are listed.

The fiduciary duties of a director owed to the Company and shareholders shall not be relieved after the termination of his or her term of office and shall remain effective for 3 years after the effectiveness of resignation or expiration of his or her term of office. After the effectiveness of the resignation of a director or the expiration of his or her term of office, his or her obligation to keep in confidence the trade secrets of the Company shall survive the termination of his or her term of office, and such director shall not conduct any business the same as or similar to that of the Company by making use of the key technology of the Company. The continuation period of the other obligations shall be determined in accordance with the principle of fairness, taking into account of the lapse between the occurrence of relevant event and his or her departure and the circumstance and condition under which his or her relation with the Company is terminated.

Any director who violates laws, administrative regulations, departmental rules, regulatory rules for the securities of the place where shares of the Company are listed or the Articles of Association in performing his/her duties and thereby causes losses to the Company shall be liable for compensation.

(6) Independent Non-executive Director

The Board of Directors should have more than 1/3 of independent Directors, and the total number of independent Directors should not be less than three.

(7) Supervisory Committee

The Company shall have a Supervisory Committee. The Supervisory Committee shall consist of three Supervisors and shall have one chairman. The chairman of the Supervisory Committee shall be elected by more than half of all Supervisors.

The Supervisory Committee shall include shareholders' representatives and an appropriate number of employees' representatives; the ratio of employees' representative therein shall not be less than one-third. The shareholders' representatives shall be elected or removed by the general meeting. The employees' representatives shall be elected or removed by the Company's employees via an employees' representative congress or employees' congress or other forms of democratic election.

The Supervisory Committee exercises the following powers:

i to review the regular reports of the Company prepared by the Board, to provide written review opinions and to execute written confirmation opinions;

ii to examine the financial affairs of the Company;

iii to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' general meetings;

iv to demand rectification from a Director or senior management when the acts of such persons are detrimental to the interests of the Company;

v to propose the convening of extraordinary general meetings and to summon and preside over general meetings when the Board fails to perform the duty of summoning and presiding over general meetings under the PRC Company Law;

vi to submit proposals to the general meeting;

vii to negotiate with or initiate litigation against the directors on behalf of the Company, or to initiate proceedings against directors and senior management in accordance with the PRC Company Law;

viii to check financial reports, business reports, profit distribution plans and other financial documents to be submitted to shareholders' general meetings by the Board of Directors and, if questions arise, to commission certified public accountants and certified auditors in the Company's name to assist in verification of doubtful documents, with the expenses being borne by the Company;

ix to investigate any irregularities identified in the operation of the Company; if necessary, to engage professional institutions such as accounting firms and law firms to assist its work at the expense of the Company;

x to exercise other powers conferred by laws, administrative regulations, departmental rules, and the listing rules of the stock exchange of the place where the Company's shares are listed or the Articles of Association.

Resolutions of the Supervisory Committee shall be passed by at least half of the supervisors.

(8) General Manager

The Company shall have one general manager who shall be appointed or dismissed by the Board of Directors.

The general manager shall be accountable to the Board and exercise the following powers:

i to be in charge of the production, operation and management of the Company, organize the implementation of the resolutions of the Board and report to the Board;

ii to organize the implementation of the Company's annual business plan and investment plan;

iii to draft plans for the establishment of the Company's internal management bodies;

iv to draft the basic management system of the Company;

v to formulate the specific rules and regulations of the Company;

vi to propose to the Board to appoint or dismiss deputy general managers, chief financial officer and other senior management of the Company;

vii to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board;

viii to exercise other powers conferred by the Articles of Association or the Board.

The general manager is to attend board meetings.

(9) Reserves

In distributing its current-year after-tax profits, the Company shall allocate 10% of its profit to its statutory reserve fund.

Allocations to the Company's statutory reserve fund may be waived once the cumulative amount of funds therein accounts for more than 50% of the Company's registered capital.

Where the statutory reserve fund is not sufficient to cover any loss made by the Company in the previous year, the current year's profit shall be used to cover such loss before any allocation is made to the statutory reserve fund pursuant to the preceding paragraph.

After an allocation to the statutory reserve fund has been made from the after-tax profit of the Company, and subject to the adoption of a resolution by the general meeting, an allocation may be made to the discretionary reserve fund.

After the Company has covered its losses and made allocations to the reserve funds, any remaining profit shall be distributed to the shareholders in proportion to their respective shareholdings.

Where the general meeting, in violation of the preceding paragraph, distributes profits to the shareholders before covering Company's losses and making an allocation to the Company statutory reserve fund, the profits so distributed must be returned to the Company.

Profits shall not be distributed to shares held by the Company itself.

Company reserve funds shall be used to cover Company's losses, expand production and operations, or converted to increase the Company's capital. However, the capital reserve fund must not be used to cover Company's losses.

After converting statutory reserve funds into capital, the remaining balance of the statutory reserve funds shall be no less than 25% of the Company's registered capital prior to the conversion.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation of our Company

Our Company was established as a limited liability company in the PRC on April 30, 2008 and was converted into a joint stock limited company on December 17, 2020 under the laws of the PRC. As of the Latest Practicable Date, the registered share capital of our Company is RMB360,000,000.

Our registered place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We [have] been registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance and Ms. Tang King Yin (鄧景賢) will be our authorized representative for the acceptance of service of process and notices in Hong Kong.

As our Company was established in the PRC, we are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in "Regulatory Overview" and Appendix III to this document, respectively.

Changes in the Share Capital of our Company

Save as disclosed in the section headed "History, Development and Corporate Structure — Major Shareholding Changes of our Company", there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this document.

Changes in the Share Capital of our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report in Appendix I to this document.

The following sets out the changes in the share capital of the Company's subsidiaries during the two years immediately preceding the date of this document:

- On May 10, 2022, D.CO GLOBAL INVESTMENT CO., PTE. LTD. was established as a limited liability company in Singapore with an initial registered capital of 100 Singapore dollars;

- On May 25, 2022, Daka International Food (Hainan) Co., Ltd. (大咖國際食品(海南)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB50 million;

- On September 9, 2022, Daka International Food (Chuzhou) Co., Ltd. (大咖國際食品(滁州)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB30 million;

- On November 11, 2022, PT Zhisheng Pacific Trading increased its share capital from IDR10,001 million to IDR27,356.7 million;

- On December 7, 2022, Daka International Material Technology (Henan) Co., Ltd. (大咖國際材料科技(河南)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB30 million;

- On December 28, 2022, Mixue International Business Management Co., Ltd. (蜜雪國際企業管理有限公司) increased its registered capital from RMB60 million to RMB100 million;

- On March 2, 2023, Henan Snow King Beverage Co., Ltd. (河南雪王飲料有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB10 million;

- On March 7, 2023, Henan Kazika Catering Management Co., Ltd. (河南卡茲卡餐飲管理有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB8 million;

- On March 10, 2023, Mixue International Business Management Co., Ltd. acquired 60% of share capital of MIXUE (Thailand) Co., Ltd. and on July 24, 2023, MIXUE (Thailand) Co., Ltd. increased its registered share capital from 4 million Thai Baht to 120 million Thai Baht;

- On April 11, 2023, Henan Kazika Supply Chain Co., Ltd. (河南卡茲卡供應鏈有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB1 million;

- On May 22, 2023, Henan Snow King Commercial Co., Ltd. (河南雪王商貿有限公司) increased its registered capital from RMB3 million to RMB20 million;

- On May 29, 2023, Mixue Malaysia Sdn. Bhd. increased its registered share capital from 1,000 Malaysian Ringgit to 5.3 million Malaysian Ringgit;

- On June 6, 2023, Hainan Snow King Zhongfei Enterprise Management Co., Ltd. (海南雪王中菲企業管理有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB10 million;

- On July 11, 2023, Songbingbing Supply Chain (Jiangsu) Co., Ltd. (送冰冰供應鏈(江蘇)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB10 million; and

- On July 26, 2023, Songbingbing Supply Chain (Henan) Co., Ltd. (送冰冰供應鏈(河南)有限公司) was established as a limited liability company in the PRC with an initial registered capital of RMB5 million.

Save as disclosed above, there had been no other alterations of share capital of our subsidiaries within the two years preceding the date of this document.

Resolutions of our Shareholders

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on December 29, 2023, it was resolved, among others, and the following was approved:

(a) the issue of H Shares with a nominal value of RMB1.00 each and the [**REDACTED**] of such H Shares on the Stock Exchange;

(b) the number of H Shares to be issued pursuant to the [**REDACTED**], and the grant to the [**REDACTED**] (or their representatives) of the [**REDACTED**] of not more than [**REDACTED**]% of the number of H Shares issued pursuant to the [**REDACTED**];

(c) conditional upon the completion of the [**REDACTED**], [**REDACTED**] Unlisted Shares held by certain existing Shareholders will be converted into H Shares;

(d) subject to the completion of the [**REDACTED**], the Articles of Association have been approved and adopted, which shall become effective on the [**REDACTED**], and our Board has been authorized to amend the Articles of Association to the extent necessary in accordance with any comments from the relevant regulatory authorities; and

(e) our Board has been authorized to handle all relevant matters relating to, among other things, the implementation of issuance of H Shares and the [**REDACTED**].

Pursuant to the resolutions passed at the annual general meeting of our Shareholders on [●], 2024, it was resolved, among others:

(a) the granting of a general mandate to the Board to allot and issue Shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes as the Board in their absolute discretion deem fit, provided that, the number of Shares to be issued shall not exceed 20% of the number of Shares in issue as of the [**REDACTED**]; and

(b) the granting of a general mandate to the Board to repurchase Shares issued on the Stock Exchange with an aggregate number of not exceeding 10% of the number of the total issued H Shares as of the [**REDACTED**].

Explanatory Statement on Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) Reasons for repurchase

The Board considered that the repurchase of the Shares would be beneficial to and in the best interests of the Company and its Shareholders as a whole. It can strengthen the [**REDACTED**] confidence in the Company and promote a positive effect on maintaining the Company's reputation in the capital market. Such repurchases will only be made when the Board believes that such repurchases will benefit the Company and its Shareholder as a whole.

(b) Exercise of the general mandate to repurchase Shares

Subject to the passing of the special resolution approving the grant of the general mandate to repurchase Shares at annual general meetings, the Board will be granted general mandate to repurchase Shares until the end of the relevant period. The general mandate to repurchase Shares would expire on the earlier of:

(i) the conclusion of the next annual general meeting of the Company of which time it shall lapse unless, by special resolutions passed at that meeting, the authority is renewed, either conditionally or subject to conditions;

(ii) the revocation or variation of the mandate under the resolution by a special resolution at the next general meeting of the Company; or

(iii) the revocation or variation of the mandate under the resolution by a special resolution at any general meeting of the Company.

Furthermore, we need to complete registration and approval procedures with relevant government authorities for the actual grant of the repurchase mandate to the Board, as applicable. The exercise in full of the general mandate to repurchase H Shares (on the basis of [**REDACTED**] Shares in issue as of the [**REDACTED**] and no H Shares will be allotted and issued or repurchased by the Company on or prior to the date of the next annual general meeting) would result in a maximum of [**REDACTED**] H Shares being repurchased by the Company during the relevant period, being the maximum of 10% of the H Shares in issue as of the [**REDACTED**].

(c) Source of funds

In repurchasing its Shares, the Company intends to apply funds from the Company's internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Company is empowered by its Articles of Association to repurchase its Shares. Any shares to be repurchased will be cancelled or kept as treasury shares if allowed by the Articles of Association and applicable laws and regulations. Any repurchases by the Company may only be made out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for such purpose. The Company may not purchase securities 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.

(d) 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 issuer 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.

(e) Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable inquiries, any of their close associates have a present intention, in the event the general mandate to repurchase Shares 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 general mandate to repurchase Shares is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, supervisor, 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.

(f) Status of repurchased Shares

Any shares to be repurchased will be cancelled or kept as treasury shares, subject to the Articles of Association, the Listing Rules and any other applicable laws and regulations.

(g) 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 general mandate to repurchase Shares.

(h) General

If the general mandate to repurchase Shares were to be carried out in full at any time, there may be a material and 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 general mandate to repurchase Shares to such an extent as would have a material and adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange that they will exercise the general mandate to repurchase Shares in accordance with the Listing Rules and the applicable laws in the PRC.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contract

The following contract (not being contract entered into in the ordinary course of business) was entered into by our Group within the two years preceding the date of this document and is or may be material:

(a) [**REDACTED**].

Intellectual Property Rights

As of the Latest Practicable Date, our Group has registered, or has applied for the registration of the following intellectual property rights which were material to our Group's business.

Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark Registered	Owner	Registration Number	Place of Registration
1.	蜜雪冰城	Company	6008188	PRC
2.		Company	58901147	PRC
3.	蜜雪冰城	Company	58884647	PRC
4.		Company	58892663	PRC
5.	蜜雪冰城	Company	58892657	PRC

No.	Trademark Registered	Owner	Registration Number	Place of Registration
6.		Company	58882961	PRC
7.	蜜雪冰城	Company	58898777	PRC
8.		Company	58907048	PRC
9.	蜜雪冰城	Company	58910620	PRC
10.	MIXUE	Company	IDM000971719	Indonesia
11.		Company	IDM000787495	Indonesia
12.	MIXUE	Company	384655	Vietnam
13.		Company	382488	Vietnam

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Owner	Place of registration
1.	mixue	Company	PRC
2.		Company	PRC
3.		Company	PRC
4.	雪王驾到	Company	PRC
5.	MIXUE	Company	Indonesia
6.	蜜雪冰城 始于1997·冰淇淋与茶	Company	Hong Kong

No.	Trademark	Owner	Place of registration
7.	MIXUE SINCE 1997 · ICE CREAM&TEA	Company	Hong Kong
8.	蜜雪冰城 始于1997·冰淇淋与茶	Company	Hong Kong
9.	MIXUE SINCE 1997 · ICE CREAM & TEA	Company	Hong Kong

Patents

As of the Latest Practicable Date, we are the owner of the following material patents, details of which are as follows:

No.	Patent description	Registered Owner	Place of Registration
1.	A kind of splicing siding (一種拼接護牆板)	Company	PRC
2.	An adjustable expansion screw (一種可調節的膨脹螺絲)	Company	PRC
3.	Liquid filling system for tea shops (茶飲店液體灌裝系統)	Company	PRC
4.	An automatic logistics cargo pallet disassembly conveyor system (一種物流貨物自動拆垛傳送系統)	Company	PRC
5.	An automatic logistics cargo pallet disassembly machine and disassembly conveyor system (一種物流貨物自動拆垛機及拆垛傳送系統)	Company	PRC

Copyrights

As of the Latest Practicable Date, our Group owned the following copyrights which we consider to be material to our business:

No.	Copyright Name	Registered Owner	Place of Registration
1.	Mixue Snow King Series 1 (蜜雪雪王系列1)	Company	PRC
2.	The Legend of Snow King (雪王駕到)	Company	PRC
3.	Three Dimensional Snow King (三維雪王)	Company	PRC

No.	Copyright Name	Registered Owner	Place of Registration
4.	Snow King Character Collection (雪王角色合集)	Company	PRC
5.	History of Mixue Brand Development (蜜雪品牌發展史)	Company	PRC
6.	Mi Xue Bing Cheng 2023 Theme Song Animation Movie (蜜雪冰城2023版主題曲動畫片)	Company	PRC

Domain Names

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1.	mxbc.com	Company	March 5, 2025
2.	mxbc.net	Company	March 12, 2026

Save as disclosed above, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material to our business.

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

Interests of our Directors, Supervisors and chief executive in the Company and our associated corporations

Save as disclosed in the section headed "Substantial Shareholders" and below, immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), so far as our Directors are aware, none of our Directors, Supervisors and chief executive has any interests and short positions in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) (i) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or (ii) which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (iii) which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules:

Name	Capacity/Nature of interest	Description of Shares	Number of Shares	Approximate percentage of shareholding in the Unlisted Shares/H Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	Approximate percentage of shareholding in the total Share capital immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
				(%)	*(%)*
Ms. Cai Weimiao (蔡衛淼)	Beneficial owner	Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Mr. Sun Jiantao (孫建濤)	Beneficial owner	Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
		H Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Interests of the substantial shareholders in the Shares

Save as disclosed in "Substantial Shareholders", immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**], our Directors are not aware of any other person (not being a Director, Supervisor or chief executive of our Company) who will have an interest or short position in our Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

Interests of the substantial shareholders in other members of our Group

So far as the Directors are aware, the following persons (other than our Company, and any subsidiaries of our Group) are entitled to exercise, or control the exercise of, 10% or more of voting power at the general meetings of other members of our Group:

Name of the subsidiary	Name of shareholder	Percentage of interest in the subsidiary
		(%)
PT Zhisheng Pacific Trading	Hainan Dehui Yuetong Enterprise Management Consulting Co., Ltd. (海南德慧悦通企業管理諮詢有限公司)(1)	49%
MIXUE (Thailand) Co., Ltd.	Hainan Dehui Yuetong Enterprise Management Consulting Co., Ltd. (海南德慧悦通企業管理諮詢有限公司)(1)	39.9975%
Hainan Snow King Zhongfei Enterprise Management Co., Ltd. (海南雪王中菲企業管理有限公司)	Qiu Huifang(2)	40%
MIXUE Malaysia Sdn. Bhd.	Wonderfood City (M) Sdn. Bhd.(3)	40%

Notes:

(1) Hainan Dehui Yuetong Enterprise Management Consulting Co., Ltd. is the minority shareholder of PT Zhisheng Pacific Trading, a subsidiary in Indonesia held by our Company as to 51%, and is also the minority shareholder of MIXUE (Thailand) Co., Ltd., a subsidiary in Thailand held by our Company as to 60%. As of the date of this document, the ultimate beneficial owners of Hainan Dehui Yuetong Enterprise Management Consulting Co., Ltd. are individuals including Wang Chaoying (王超營), Wang Tao (王濤), Liu Bin (劉賓), Shi Jingsong (石勁松), Liu Jincheng (劉錦程) and Ma Enhui (馬恩會). Each of aforementioned individuals is an Independent Third Party.

(2) Qiu Huifang is an Independent Third Party.

(3) Wonderfood City (M) Sdn. Bhd. is the minority shareholder of MIXUE Malaysia Sdn. Bhd., a subsidiary in Malaysia held by our Company as to 60%. As the date of this document, the ultimate beneficial owners of Wonderfood City (M) Sdn. Bhd. are individuals including Chan Yik Hui, Samuel James Tai Huei and Lim Sin Yin. Each of Chan Yik Hui, Samuel James Tai Huei and Lim Sin Yin is an Independent Third Party.

Particulars of Directors' and Supervisors' Service Contracts

Each of the Directors and Supervisors [has] entered into a service contract or a letter of appointment with our Company.

Save as disclosed above, we have not entered into, and do not propose to enter into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors or Supervisors (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

Remuneration of Directors and Supervisors

Save as disclosed in "Directors, Supervisors and Senior Management" and Note 9 to the Accountants' Report set out in Appendix I to this document for the two financial years ended December 31, 2021 and 2022 and the nine months ended September 30, 2023, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

Disclaimers

Save as disclosed in this document:

(a) none of our Directors, Supervisors or our chief executive has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [**REDACTED**] on the Stock Exchange;

(b) none of our Directors or Supervisors is aware of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following the completion of the [**REDACTED**] and the conversion of Unlisted Shares into H Shares (without taking into account any H Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is interested, directly or indirectly, in 10% or more of the issued voting shares of any member of our Group;

(c) none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who own more than 5% of the number of issued shares of our Company have any interests in the five largest customers or the five largest suppliers of our Group; and

(d) none of our Directors, Supervisors or any of the parties listed in "Qualifications of Experts" of this Appendix is:

i. interested in our promotion, or in any assets which have been, within two years immediately preceding the date of this document, acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group; or

ii. materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the PRC.

Litigation

As of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against any member of our Group, that would have a material and adverse effect on our Group's results of operations or financial conditions, taken as a whole.

Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

Promoter

The promoters of the Company are all of the 9 then shareholders of our Company as of December 6, 2020 immediately before our conversion into a joint stock limited liability company. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given or is proposed to be paid, allotted or given to the promoters in connection with the [**REDACTED**] and the related transactions described in this document.

Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred.

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since September 30, 2023 (being the date to which the latest consolidated financial statements of our Group were prepared).

Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given their opinion and/or advice in this document are as follows:

Name	Qualification
Merrill Lynch (Asia Pacific) Limited *(in alphabetical order of the logos on the important page)*	A licenced corporation under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Goldman Sachs (Asia) L.L.C. *(in alphabetical order of the logos on the important page)*	A licenced corporation under the SFO 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 under the SFO
UBS Securities Hong Kong Limited *(in alphabetical order of the logos on the important page)*	A licenced corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities as defined under the SFO

Name	Qualification
Zhong Lun Law Firm	Legal advisor to our Company as to PRC law
Ernst & Young	Certified Public Accountants Registered Public Interest Entity Auditor
China Insights Industry Consultancy Limited	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries 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.

Consents of Experts

Each of the experts as referred to "Qualifications of Experts" of this Appendix has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters (as the case may be) and the references to their names included in the form and context in which they are respective included.

Joint Sponsors' Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to the sponsor set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between the Company and the Joint Sponsors, the Joint Sponsors' fees payable by us to each of the Joint Sponsors in respect of their services as sponsors in connection with the [**REDACTED**] on the Stock Exchange is US$400,000.

Binding Effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of 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.

Bilingual document

The English and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

Save as otherwise disclosed in this document:

(a) within the two years preceding the date of this document: (i) we have not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any shares of our Company;

(b) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

(c) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) there are no arrangements under which future dividends are waived or agreed to be waived;

(e) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(f) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business;

(g) there have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months;

(h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(i) no part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

(j) our Company has no outstanding convertible debt securities or debentures;

(k) our Company is a joint stock limited company and is subject to the PRC Company Law; and

(l) our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing Rules.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(i) a copy of each of the material contracts referred to in "Statutory and General Information — Further Information about our Business — Summary of Material Contract" in Appendix IV to this document; and

(ii) the written consents referred to in "Statutory and General Information — Other Information — Consents of Experts" in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and the Company's website at **www.mxbc.com** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the years ended December 31, 2021 and 2022 and the unaudited consolidated financial statements of our Group for the nine months ended September 30, 2023;

(d) the report from Ernst & Young on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this document;

(e) the material contracts referred to in "Appendix IV — Statutory and General Information — Further Information about our Business — Summary of Material Contract";

(f) the written consents referred to in "Appendix IV — Statutory and General Information — Other Information — Consents of Experts";

(g) the service contracts and letters of appointment referred to in "Appendix IV — Statutory and General Information — Further Information about our Directors, Supervisors, Chief Executive and Substantial Shareholders — Particulars of Directors' and Supervisors' Service Contracts";

(h) the legal opinions issued by Zhong Lun Law Firm, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and property interests of our Group under the PRC law;

(i) the industry report issued by China Insights Industry Consultancy Limited referred to in "Industry Overview"; and

(j) a copy of the following PRC laws, together with unofficial English translations:

   (i) the PRC Company Law;

   (ii) the PRC Securities Law; and

   (iii) the Overseas Listing Trial Measures.