Application Proof of

Auntea Jenny (Shanghai) Industrial Co., Ltd.
滬上阿姨(上海)實業股份有限公司

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

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Auntea Jenny (Shanghai) Industrial Co., Ltd.
滬上阿姨(上海)實業股份有限公司

(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 [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
[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 application in Hong Kong dollars, subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

***Joint Sponsors*, [REDACTED]**

(in alphabetical order)

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IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

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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. You should read this document in its entirety before you decide to invest in the **[REDACTED]**. *There are risks associated with any investment. Some of the particular risks in investing 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 invest in the* **[REDACTED]**.

OVERVIEW

We are a leading and fast-growing freshly-made beverage company, operating the fourth largest network of freshly-made tea shops in China as of September 30, 2023 according to CIC, with extensive reach into the lower-tier markets. We are the fastest-growing freshly-made tea shop brand in terms of the growth rates of system-wide store count and GMV among the five largest freshly-made tea shop brands in terms of system-wide store count in 2022 and the nine months ended September 30, 2023 according to CIC. Our system-wide store count increased by 40.5% from 3,776 stores as of December 31, 2021 to 5,307 stores as of December 31, 2022, and increased by 37.5% from 5,307 stores as of December 31, 2022 to 7,297 stores as of September 30, 2023. Our GMV increased by 45.8% from RMB4,161.1 million in 2021 to RMB6,068.0 million in 2022, and by 57.7% from RMB4,554.4 million in the nine months ended September 30, 2022 to RMB7,183.0 million in the nine months ended September 30, 2023. According to CIC, as of September 30, 2023, we covered the most cities in China among mid-priced freshly-made tea shop brands in China.

In 2013, we opened the first *Auntea Jenny* store offering "grainy milk tea" (五穀奶茶) — milk tea with grain toppings. These beverages are best served hot, providing a warm and comforting choice during chilly winters, particularly in northern China. This kick-started our initial expansion of store network in northern China. We then saw the growing demand for fresh fruit tea among consumers across China, especially in the lower-tier markets. In 2019, we began to offer fresh fruit tea which was welcomed by our customers and enabled our rapid nationwide expansion, including the southern regions. In addition, we have expanded our product offerings through *Jenny x Coffee* and *Version Lite* to reach a wider range of consumers.

The chart below demonstrates the highlights of our business:

Notes:

(1) according to CIC, we had a leading market presence in the lower-tier markets among mid-priced freshly-made tea shop brands in terms of system-wide store count with approximately 49.0% of stores in our network located in third and lower-tier cities in China as of September 30, 2023

(2) according to CIC, we are the fastest-growing freshly-made tea shop brand in terms of the growth rates of system-wide store count and GMV among the five largest freshly-made tea shop brands in terms of system-wide store count in China in 2022 and in the nine months ended September 30, 2023

(3) according to CIC, as of September 30, 2023, we covered the most cities in China among mid-priced freshly-made tea shop brands in China

(4) according to CIC, in terms of system-wide store count as of September 30, 2023, we ranked first among mid-priced freshly-made tea shop brands in northern China

(5) according to CIC, we ranked first in terms of the city coverage of our warehouses among the five largest mid-priced freshly-made tea shop brands in China in terms of system-wide store count as of September 30, 2023

(6) as of September 30, 2023

(7) according to CIC, we ranked fourth in China's freshly-made tea shop market in terms of system-wide store count as of September 30, 2023 and GMV in the nine months ended September 30, 2023

(8) in the nine months ended September 30, 2023

As of September 30, 2023, our store network of 7,297 stores covered all four centrally administered municipalities and over 300 cities in five autonomous regions and 22 provinces in China. Our store network spans from Mohe, Heilongjiang province in northern China to Sanya, Hainan province in southern China.

We strategically focus on the lower-tier markets and have achieved a leading market presence in the lower-tier markets in China in terms of system-wide store count among mid-priced freshly-made tea shop brands. We have accumulated a wealth of experience in store operations, personnel management and consumer preferences in the lower-tier markets in China, which enables our franchisees to tap into these markets more effectively. The freshly-made tea shop market in third and lower-tier cities in China is the largest and is expected to be the fastest-growing segment between 2022 to 2027, with significant potential for future growth. Our expertise and proven track record of success in this market segment position us well in capturing the significant future opportunities.

We operate a franchise-focused business model. As of September 30, 2023, 99.3%, or 7,245 of the 7,297 stores in our network, were operated by our franchisees. We generated a substantial majority of revenue from our franchising operations, mainly consisting of (i) sales of goods, and (ii) franchising services.

Our mutually beneficial franchise system is the foundation for our long-term and stable cooperation with franchisees. As of September 30, 2023, 32.3% or 1,382 of our 4,284 franchisees opened more than one store. In the nine months ended September 30, 2023, 47.3% or 1,087 of our new franchised stores were opened by our existing franchisees.

We have won several awards and received various certifications, including:

- the 2023 Most Influential Brand of the Year (2023年度最具影響力品牌獎) from Meituan (美團),
- the 2023 Strategic Influential Brand of the Year (2023年度戰略影響力品牌) from 2024 Kamen Wanyouyinli Annual General Meeting (咖門 • 2024萬有飲力年度大會),
- the 2023 Annual Influential Brand (年度影響力品牌) from China Food and Beverage New Media Marketing Summit (中國餐飲新媒體營銷峰會),
- the 2022 China Food Safety Honest Unit (2022中國食品安全誠信單位) from the Second China Food Safety and Quality Development Conference (第二屆中國安全食品高質量發展大會),
- the 2022 Excellent New-Style Tea Brand Award (新茶飲優秀品牌獎) from 2022 China New-Style Tea Conference (2022年中國新茶飲大會),
- the 2022 Chinese Consumer Satisfaction Product (*Freshly Stewed Pear* (鮮燉梨) series) (2022年度中國消費者滿意產品(「鮮燉梨」系列產品)) from China Safe Food Quality Development Conference (中國安全食品高質量發展大會),
- the 2022 Consumers' Favorite Brand (Industry) (2022年度(行業)消費者喜愛品牌) from China Brand Boao Summit (中國品牌博鰲峰會), and
- Top 3 Catering Brand Store Growth for 2021-2022 (年度餐飲品牌門店增長Top 3) from Canyandata (窄門餐眼).

OUR CORE CONCEPT

We offer healthy and freshly-made beverages made from premium loose-leaf tea, freshly grounded coffee beans or yogurt, with additional ingredients such as fresh fruits, NFC juice, milk and various types of grains in our wide variety of product offerings. The core elements of our brand concept comprise the following:

- quality and fresh ingredients;
- innovative and healthy products;
- casual and modern store design;
- affordable pricing; and
- consistent quality.

We currently offer three brand concepts:

- *Auntea Jenny (滬上阿姨)*. *Auntea Jenny* is our principal brand concept launched in 2013, under which we offer a wide range of products including fresh fruit tea, milk tea with toppings, light milk tea, yogurt shakes and snack packs. We aim to bring healthy and freshly-made products with affordable prices to consumers across China, particularly those in third and lower-tier cities. The price range for key products under this brand concept is typically RMB7 to RMB22 per item.

- *Jenny x Coffee (滬咖)*. Launched in 2022, *Jenny x Coffee* is typically embedded in our *Auntea Jenny* stores. We offer various types of coffee under *Jenny x Coffee*, and we plan to roll out "oriental latte (東方拿鐵)," including coffee latte, tea latte, coffee-tea latte to broaden our addressable market. The price range for key products under this brand concept is typically RMB13 to RMB23 per item.

- *Version Lite (輕享版)*. *Version Lite* is a brand concept launched in 2023 that provides a more price-for-value option of tea drinks for consumers in the third and lower-tier cities. Products offered under *Version Lite* are primarily milk tea with toppings, light milk tea, fruit tea and ice cream. Compared to *Auntea Jenny*, *Version Lite* offers better flexibility in pricing and store location selection to allow further penetration into county-level cities. The price range for key products under this brand concept is typically RMB2 to RMB12 per item. As of the Latest Practicable Date, all our *Version Lite* stores are operated under version 1.0 *(滬上阿姨輕享版)*. We plan to upgrade our *Version Lite* brand concept to version 2.0 with eye-catching logo, upgraded store design and new marketing initiatives to capture demands from the lower-tier markets.

See "Business — Our Core Concept."

OUR CONSUMER EXPERIENCE

We endeavor to offer delicious freshly-made beverages to consumers in an effortless manner in stylish teahouses conveniently located across the country. We offer a wide range of refreshing and flavorful beverages that cater to different tastes and preferences. In addition, consumers are able to adjust the sweetness and ice levels, and add various toppings to the beverages according to their own preferences. Aside from tea-based drinks, we offer yogurt, coffee and snacks, which broadens the consumers' options and further enriches their experience. We also evolve our menu items in accordance with prevailing market trends. In addition, we offer a seamless and convenient shopping experience for consumers through efficient store planning and the use of a wide range of technologies such as digital payment and online ordering systems. To ensure uniform design throughout our network, we provide store design plans and standards for our franchised stores. We currently offer three brand concepts, *Auntea Jenny*, *Jenny x Coffee* and *Version Lite*, each catered to different consumer preferences. See "Business — Our Consumer Experience."

OUR FRANCHISE-FOCUSED BUSINESS MODEL

Our business model comprises an integrated franchise system backed by a comprehensive supporting platform. In addition, we strategically open self-operated stores to establish our presence, develop brand recognition and gain market intelligence for new and underpenetrated markets before engaging or introducing franchisees in those markets. We also leverage our self-operated stores as knowledge bases for our franchised stores to provide guidance in aspects such as customer services, store operations, quality control and other best practices. The core of our business model is cooperation with entrepreneurial franchisees who are committed to our concept and highly motivated to grow our brand and store network. We seek to maintain close and long-term mutually beneficial relationships with our franchisees by establishing a management and supporting platform. See "Business — Our Store Network — Operation Management — Our Management and Supporting Platform." Meanwhile, despite our rapid growth, we have consistently maintained our ability to closely monitor the performance and operations of our franchised stores through our highly efficient and comprehensive supporting infrastructure to ensure the transparency, consistency and quality of their operations.

Our franchise agreements typically have an initial term of three years, subject to renewal annually. Our franchisees are required to make initial payments including an upfront franchise fee, purchase cost for equipment and refundable franchise deposit, as well as recurring payments including purchase cost for ingredients and franchising service fees.

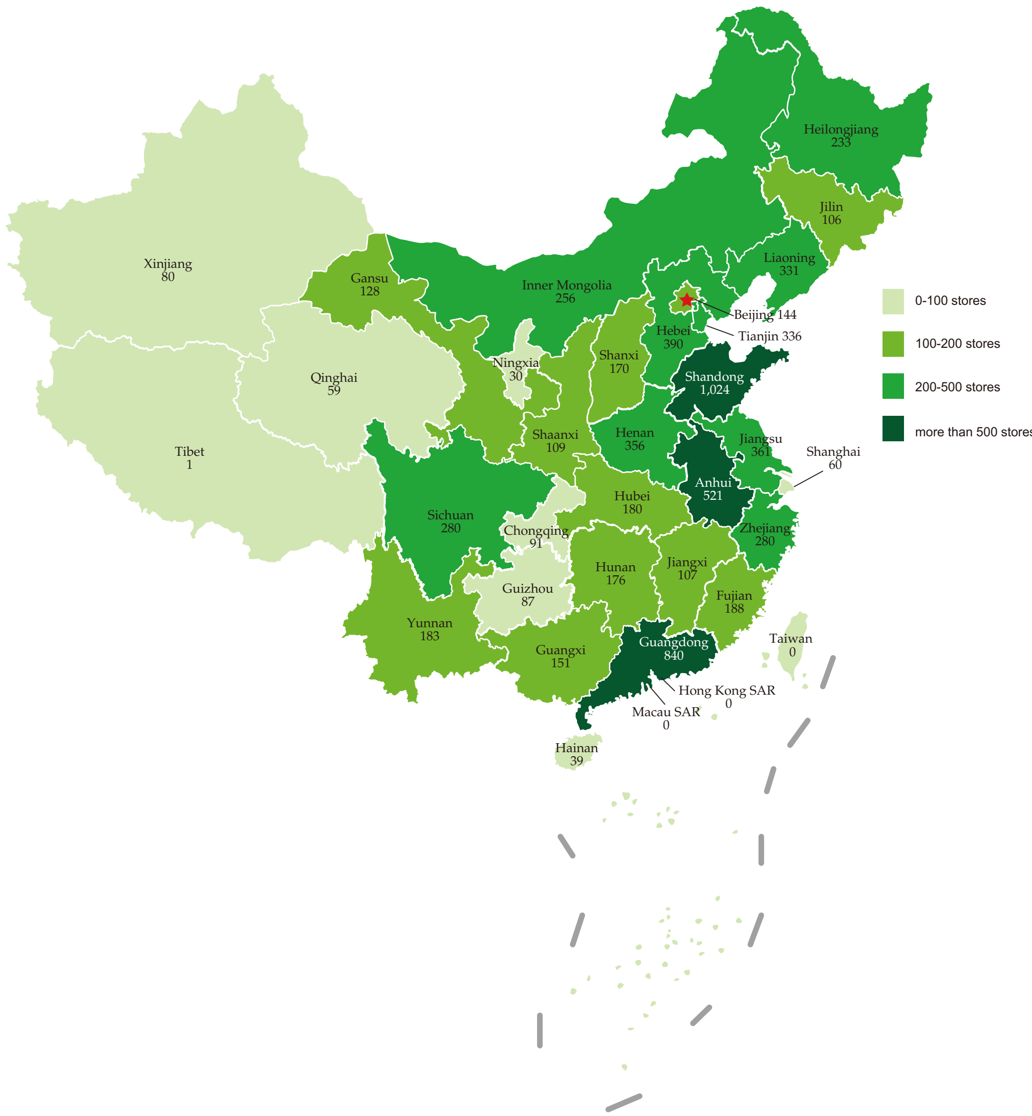
See "Business — Our Franchise-Focused Business Model."

OUR STORE NETWORK

As of September 30, 2023, our store network of 7,297 stores covered all four centrally administered municipalities and over 300 cities in five autonomous regions and 22 provinces in China. The table below sets forth a breakdown of the stores in our network by self-operated stores and franchised stores as of December 31, 2021, 2022 and September 30, 2023:

	As of December 31,				As of September 30,	
	2021		2022		2023	
Franchised stores	3,711	98.3%	5,244	98.8%	7,245	99.3%
Self-operated stores	65	1.7%	63	1.2%	52	0.7%
Total	**3,776**	**100.0%**	**5,307**	**100.0%**	**7,297**	**100.0%**

The map below illustrates our store network in China as of September 30, 2023:



For illustrative purpose only, the map (Map Review Number: GS(2022)4308) is presented to illustrate our store network in China as of September 30, 2023.

We place great emphasis on the lower-tier markets. As of September 30, 2023, with approximately 49.0% of stores in our network located in third and lower-tier cities, we had leading market presence in the lower-tier market among mid-priced freshly-made tea shop brands in terms of system-wide store count according to CIC. In the nine months ended September 30, 2023, 50.4% of new stores within our network were opened in third and lower-tier cities. Set forth below is a breakdown of our system-wide stores by city tier:

	As of December 31,				As of September 30,	
	2021		2022		2023	
First-tier cities	319	8.4%	403	7.6%	557	7.6%
New first-tier cities	879	23.3%	1,272	24.0%	1,646	22.6%
Second-tier cities	736	19.5%	1,067	20.1%	1,516	20.8%
Third and lower-tier cities	1,842	48.8%	2,565	48.3%	3,578	49.0%
Total	**3,776**	**100.0%**	**5,307**	**100.0%**	**7,297**	**100.0%**

The freshly-made tea shop market in third and lower-tier cities in China is the largest and is expected to be the fastest-growing segment between 2022 to 2027, with significant potential for future growth. We plan to continue our expansion and replicate our success through further penetration of existing markets throughout China and expand into more third and lower-tier cities.

See "Business — Our Store Network."

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

We implemented meticulous selection and strict quality control of our raw materials. We procure raw materials used to make our beverages, such as dairy products, tea leaves, sugar, fresh fruits, fruit juices and packaging materials from our suppliers, including contract manufacturers. The snacks sold in our store network such as wafers, potato chips and toast are produced by contract manufacturers. Equipment used in our store network was from quality suppliers.

We believe the freshness and timely delivery of quality ingredients are fundamental for offering high quality freshly-made beverages throughout an expansive store network. To support this, we have built up a nationwide supply chain coverage and strong management capabilities to underpin our rapid store network expansion. According to CIC, we ranked first in terms of the city coverage of our warehouses among the five largest mid-priced freshly-made tea shop brands in China in terms of system-wide store count as of September 30, 2023. To safeguard our core belief on the freshness and quality of ingredients, we require members of our store network to procure ingredients mostly from our centralized procurement platform which sources ingredients from selected high-quality suppliers and our own production facility. As of September 30, 2023, our supply chain network includes (i) eight logistics centers, (ii) four equipment warehouses, (iii) nine fresh produce warehouses and (iv) 19 frontline cold-chain storage warehouses. Within our supply chain network, two of the fresh produce warehouses and all of the frontline cold-chain storage warehouses are operated by Independent Third Parties. See "Business — Procurement and Supply Chain Management."

OUR CUSTOMERS AND SUPPLIERS

Our customers are primarily the franchisees who operate franchised stores pursuant to the franchise agreements signed with us. We generated a substantial majority of our revenue from franchising. 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 4.1%, 2.7% and 1.9% of our total revenue for the respective periods. During the Track Record Period, we were not subject to any material customer concentration risk. See "Business — Our Customers."

Our suppliers primarily include the suppliers of ingredients, packaging, other raw materials, equipment and marketing and promotion service. In 2021, 2022 and the nine months ended September 30, 2023, purchases from our five largest suppliers accounted for 25.9%, 19.6% and 17.4% of our total purchases for the respective periods. See "Business — Procurement and Supply Chain Management — Our Suppliers."

OUR STRENGTHS

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

- Leading position in China's freshly-made tea shop industry with rapid growth and extensive reach into the lower-tier markets;
- High quality and diverse product offering based on innovation and consumer insights;
- Sustainable store network expansion backed by comprehensive franchisee support platform and mutually beneficial franchise model;
- Strong nationwide supply chain management and strict quality control;
- Unified membership reward policy and diverse marketing strategies; and
- Visionary and experienced senior management team.

See "Business — Our Strengths."

GROWTH STRATEGIES

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

- Further penetrate existing markets and grow our offline store network and online sales channel;
- Enhance research and development capabilities and expand product offerings;
- Strengthen our supply chain capabilities;
- Enhance digitalization to increase overall operation efficiency and ensure food safety;
- Continue with our multi-brand strategy to expand into new markets; and
- Continue to promote brand image and recognition.

See "Business — Growth Strategies."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables sets forth summary financial data from our consolidated financial information during the Track Record Period. 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 as set out in the Accountants' Report in Appendix I to this document, including the related notes. Our consolidated financial information was prepared in accordance with IFRSs.

Results of Operations

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	(in RMB thousands, except for percentages)							
					(Unaudited)			
Revenue	**1,640,442**	**100.0%**	**2,199,005**	**100.0%**	**1,644,601**	**100.0%**	**2,535,029**	**100.0%**
Cost of sales	(1,282,909)	(78.2)%	(1,612,726)	(73.3)%	(1,211,256)	(73.7)%	(1,745,257)	(68.8)%
Gross profit	**357,533**	**21.8%**	**586,279**	**26.7%**	**433,345**	**26.3%**	**789,772**	**31.2%**
Other income and gains, net	12,282	0.7%	26,976	1.2%	19,475	1.2%	42,048	1.7%
Selling and marketing expenses	(177,951)	(10.8)%	(278,471)	(12.7)%	(211,875)	(12.9)%	(256,496)	(10.1)%
Administrative expenses	(70,767)	(4.3)%	(113,228)	(5.1)%	(75,827)	(4.6)%	(118,338)	(4.7)%
Research and development expenses	(5,867)	(0.4)%	(13,260)	(0.6)%	(8,874)	(0.5)%	(19,215)	(0.8)%
Finance costs	(2,592)	(0.2)%	(6,356)	(0.3)%	(4,871)	(0.3)%	(5,205)	(0.2)%
Profit before tax	**112,638**	**6.9%**	**201,940**	**9.2%**	**151,373**	**9.2%**	**432,566**	**17.1%**
Income tax expense	(29,239)	(1.8)%	(52,470)	(2.4)%	(39,241)	(2.4)%	(108,839)	(4.3)%
Profit for the year/period	**83,399**	**5.1%**	**149,470**	**6.8%**	**112,132**	**6.8%**	**323,727**	**12.8%**
Attributable to								
Owners of the parent	83,399	5.1%	149,470	6.8%	112,132	6.8%	323,727	12.8%

Non-IFRS Measures

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted profit for the year/period (a non-IFRS measure) and adjusted net profit margin (a non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impact of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated financial statements in the same manner as they help our management. However, our presentation of adjusted profit for the year/period (a non-IFRS measure) and adjusted net profit margin (a non-IFRS measure) may not be comparable to similar item measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our consolidated financial statements or financial condition as reported under IFRS. We define adjusted profit for the year/period as profit for the year/period adjusted for share-based payment expenses and **[REDACTED]**. We define adjusted net profit margin (a non-IFRS measure) as adjusted profit for the year/period as a percentage of total revenues.

	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
	(in RMB thousands, except for percentages)			
			(Unaudited)	
Profit for the year/period	83,399	149,470	112,132	323,727
Add:				
Share-based payment expenses [(1)]	1,344	4,843	3,397	4,340
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted profit for the year/period (a non-IFRS measure)	**84,743**	**154,313**	**115,529**	[REDACTED]
Adjusted net profit margin (a non-IFRS measure)	5.2%	7.0%	7.0%	**[REDACTED]**%

Notes:

(1) Share-based payment expenses relate to the share rewards we granted to our employees, which is a non-cash item.

(2) **[REDACTED]** represent the fees incurred in relation to the **[REDACTED]**, which is a non-recurring item.

Financial Position

	As of December 31,		As of September 30,
	2021	**2022**	**2023**
	(RMB in thousands)		(unaudited)
Total non-current assets	171,602	257,954	241,437
Total current assets	430,892	667,241	1,186,506
Total assets	**602,494**	**925,195**	**1,427,943**
Total current liabilities	313,447	458,483	517,533
Total non-current liabilities	78,785	102,137	85,758
Total liabilities	**392,232**	**560,620**	**603,291**
Net assets	**210,262**	**364,575**	**824,652**
Paid-in capital	10,896	10,896	11,621
Reserves	199,366	353,679	813,031
Total equity	**210,262**	**364,575**	**824,652**

Cash Flows

	Year Ended December 31,		Nine Months Ended September 30,
	2021	**2022**	**2023**
		(in RMB thousands)	
			(Unaudited)
Operating profit before working capital changes	141,795	289,364	502,270
Changes in working capital ..	66,574	30,866	6,838
Income tax paid	(36,345)	(52,457)	(73,500)
Net cash flows generated from operating activities ...	172,024	267,773	435,608
Net cash flows used in investing activities	(149,706)	(79,191)	(429,268)
Net cash generated from/(used in) financing activities	16,560	(48,752)	89,656
Net increase in cash and cash equivalents	38,878	139,830	95,996
Cash and cash equivalents at beginning of year/period ..	14,306	53,184	193,014
Cash and cash equivalents at end of year/period	**53,184**	**193,014**	**289,010**

KEY FINANCIAL RATIOS

	Year Ended/As of December 31,		Nine Months Ended/As of September 30,
	2021	2022	2023
Revenue growth	N/A	34.0%	54.1%
Net profit margin(1)	5.1%	6.8%	12.8%
Return on assets(2)	19.4%	19.6%	27.5%
Return on equity(3)	59.0%	52.0%	54.4%
Current ratio(4)	1.4	1.5	2.3

Notes:

(1) Net profit margin is calculated based on the net profit for the relevant year/period divided by the revenue for the respective year/period and multiplied by 100%.

(2) Return on assets is calculated based on the total profit for the relevant year/period divided by the average of beginning and ending balance of total assets of the respective year/period and multiplied by 100%.

(3) Return on equity is calculated based on the total profit for the relevant year/period divided by the average of beginning and ending balance of total equity of the respective year/period and multiplied by 100%.

(4) Current ratio is calculated based on the total current assets as of the end of the relevant year/period divided by the total current liabilities as of the end of the respective year/period.

RISK FACTORS

Our major risk factors include:

- We may not be able to respond to market dynamics, evolving consumer preferences or changing consumer discretionary spending effectively;
- Our future growth depends on our ability to successfully attract franchisees, expand our store network and effectively manage our growth. We may not be able to successfully expand our store network into new markets and achieve satisfying store performance;
- We face increasingly intense competition;
- Any erosion of the reputation of our brand names or failure to protect our trademarks from counterfeiting or imitation, or any failure to effectively promote our brands could materially and adversely impact our business and results of operations;

- Failure to maintain the quality, safety and hygiene standards of our products could have a material and adverse effect on our reputation, financial condition and results of operations;

- Our extensive store network consists primarily of franchised stores that we do not directly operate. We face certain risks associated with the use of the franchising business model;

- Our expansion into new product offerings and markets may expose us to new and increased challenges and risks;

- Our success depends on a stable and adequate supply of quality ingredients and raw materials, which is subject to risk of shortage, unsatisfactory quality, fluctuations in the cost and extreme weather;

- Our operating results depend on the effectiveness of our branding, marketing and promotional programs. We may incur significant expenses in connection with our branding and marketing efforts, and our efforts in sales and marketing may not be effective as expected; and

- We may not be successful in promoting or managing our membership program.

See "Risk Factors."

OUR PRE-[REDACTED] INVESTORS

We have engaged in Pre-**[REDACTED]** Investments with our Pre-**[REDACTED]** Investors. For further details of the identity and background of the Pre-**[REDACTED]** Investors and the principal terms of the Pre-**[REDACTED]** Investments, see "History, Development and Corporate Structure — Pre-**[REDACTED]** Investments."

OUR CONTROLLING SHAREHOLDERS

Immediately before the completion of the **[REDACTED]**, Mr. Shan and Ms. Zhou, by virtue of the concert party agreement among them, were collectively entitled to control the voting rights of approximately 80.64% of our total issued share capital through Shanghai Puhai, Shanghai Senrui and Shanghai Yuchao holding approximately 45.97%, 17.86% and 16.80% of the issued share capital of our Company, respectively.

On September 25, 2023, Mr. Shan and Ms. Zhou entered into a concert party agreement, pursuant to which Mr. Shan and Ms. Zhou have agreed and confirmed that the Company have been jointly controlled by them since its establishment and they have acted in concert since the establishment of the Company and will continue, and shall procure entities under their control which directly hold Shares in our Company, to act in concert in respect of the management and operations of our Company. Pursuant to the act in concert arrangements, Mr. Shan and Ms. Zhou have consulted and would consult with each other to reach a unanimous consensus among themselves at the general meetings of the Company. In the event that they are unable to reach consensus on any matter presented, they have aligned and will continue to align their votes in accordance with Mr. Shan's decisions at the general meetings of the Company.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Shan and Ms. Zhou will be entitled to exercise or control the exercise of an aggregate of approximately [**REDACTED**]% of the voting power at general meetings of our Company. Therefore, Mr. Shan, Ms. Zhou, Shanghai Puhai, Shanghai Senrui and Shanghai Yuchao will constitute a group of Controlling Shareholders of our Company under the Listing Rules. See "Relationship with Our Controlling Shareholders" for further details.

DIVIDENDS

We did not pay or declare any dividend during the Track Record Period. On December 14, 2023, we declared a dividend of RMB60.0 million, which has been fully paid by January 25, 2024.

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, the 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, operation 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 make dividend in the future also depends on whether we can receive dividends from our subsidiaries.

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]** and fees incurred in connection with the **[REDACTED]** and the **[REDACTED]**. Our **[REDACTED]** are estimated to be approximately RMB**[REDACTED]** million (including **[REDACTED]**) accounted for **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]**, assuming that an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** stated in this document) and the **[REDACTED]** is not exercised, among which, approximately RMB**[REDACTED]** is directly attributable to the issuance of Shares and will be charged to equity upon completion of the **[REDACTED]**, and approximately RMB**[REDACTED]** will be charged to our consolidated statement of comprehensive income. The **[REDACTED]** we incurred in the Track Record Period and expect to incur would consist of approximately RMB**[REDACTED]** **[REDACTED]** related expenses and fees (including **[REDACTED]**, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), approximately RMB**[REDACTED]** non-**[REDACTED]**-related expenses and fees including fees for the Joint Sponsors, legal advisors and reporting accountant and approximately RMB**[REDACTED]** other non-**[REDACTED]** related fees and expenses. During the Track Record Period, we incurred RMB**[REDACTED]** of **[REDACTED]**, among which, RMB**[REDACTED]** was included in prepayments, other receivables and other assets and will be subsequently charged to our equity upon completion of the **[REDACTED]** and RMB**[REDACTED]** was charged to our consolidated statement of comprehensive income.

The **[REDACTED]** above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

[REDACTED] STATISTICS

The numbers in the following table are based on the assumptions that (i) the **[REDACTED]** had taken place on **[REDACTED]** and **[REDACTED]** H Shares were issued and sold in the **[REDACTED]**, (ii) the **[REDACTED]** is not exercised, and (iii) **[REDACTED]** Shares are in issue and outstanding following the completion of **[REDACTED]**.

	Based on an [REDACTED] of HK$[REDACTED] per Share	**Based on an [REDACTED] of HK$[REDACTED] per Share**	**Based on an [REDACTED] of HK$[REDACTED] per Share**
Market capitalization of our Shares[1] …………	HK$**[REDACTED]**	HK$**[REDACTED]**	HK$**[REDACTED]**
Market capitalization of our H Shares[2] ………	HK$**[REDACTED]**	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted Consolidated net tangible assets per Share[3][4] …………….	HK$**[REDACTED]**	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

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

(2) The calculation of market capitalization of our H Shares is based on **[REDACTED]** H Shares expected to be in issue immediately upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised) and the Conversion of Domestic **[REDACTED]** Shares into H Shares.

(3) The unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the Unaudited **[REDACTED]** Financial Information in Appendix II to this document and on the basis that **[REDACTED]** Shares are in issue assuming the conversion into a joint stock limited company in November 2023 and the **[REDACTED]** had been completed on September 30, 2023, without taking into account of the 2,430,000 shares issued upon the Series C Financing in February 2024, and any shares which may be allotted and issued upon the exercise of the **[REDACTED]**.

(4) No other adjustment has been made to reflect any trading result or other transactions of us entered into subsequent to September 30, 2023 except for the adjustments referred to in the Unaudited **[REDACTED]** Financial Information in Appendix II to this document. In particular, no adjustments were made to reflect (i) the Series C Financing with 2,430,000 shares issued at a net consideration of RMB117.1 million (the gross consideration of RMB121.5 million minus the related expenses of RMB4.4 million) in February 2024 and (ii) the dividend of RMB60.0 million declared by the Company to our shareholders on December 14, 2023. Had such transactions been taken into account, the unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share would be approximately RMB**[REDACTED]**, RMB**[REDACTED]** and RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**, HK$**[REDACTED]** and HK$**[REDACTED]**), assuming an **[REDACTED]** of HK$**[REDACTED]**, HK$**[REDACTED]** and HK$**[REDACTED]** per Share, respectively.

USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]**, after deducting **[REDACTED]**, fees and estimated expenses payable by us in connection with the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the **[REDACTED]** range stated in this document, and assuming no exercise of the **[REDACTED]**.

We currently intend to apply these net **[REDACTED]** for the following intended purposes in the amounts set forth below:

- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for the enhancement of our digitalization capabilities;
- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for research and development to improve the quality of our raw materials and ingredients, create hit products, expand our product offerings and upgrade our equipment and machines;
- approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to strengthen our supply chain capabilities by enhancing our production, processing, warehousing, logistics and distribution capabilities;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to enhance our brand awareness and further expand and empower our store network;

- approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to invest in various marketing activities; and

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

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

RECENT DEVELOPMENTS

On 8 November 2023, we granted a total of 281,398 RSUs under the Amended 2020 Employee Incentive Scheme and 336,994 RSUs under the 2023 Employee Incentive Scheme, which represents 2.42% and 2.90% of the Company's paid-in capital, to our employees with a consideration of RMB1.18 per RSU and RMB1.00 per RSU, respectively.

On December 14, 2023, we declared a dividend of RMB60.0 million, which has been fully paid by January 25, 2024.

In February 2024, we completed the Series C Financing through capital increases, pursuant to which the investors subscribed for an increased registered capital of RMB2,430,000 at a total consideration of RMB121.5 million. As a result, the registered capital of the Company was increased to RMB102,430,000. See "History, Development and Corporate Structure - Establishment and Development of Our Company - (6) Series C Financing."

NO MATERIAL ADVERSE CHANGE

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

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which 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. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- general political and economic conditions, including those related to the PRC;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans; and
- various business opportunities that we may pursue.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this document. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this document. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

An investment in the H Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an investment in the H Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the **[REDACTED]** *price of the H Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

The growth of freshly-made beverage market in China is affected by consumer taste, preferences and perceptions. Any shift in consumer preferences, or a decrease or slowdown in the growth of freshly-made beverage consumption in China, could harm our business. There can be no assurance that we will always be able to effectively respond to market trend and successfully develop and promote new or upgraded products, or that our new products will always be favored by consumers. There might be lack of consumer acceptance or reduced consumer demand for our products for many reasons, such as the increase in product price due to raw materials costs, changes in our membership program or decreased demand for our existing products as our competitors introduce new products. If any of the foregoing risks materialized, our business, financial condition and results of operations could be adversely affected.

In particular, our sales could be impacted by changes in consumer preferences due to health considerations, such as preferences for healthier drinks regarding calories and sugar consumption. We offer a variety of options to consumers, including products without additional sugar, and reduced calories. However, negative publicity regarding the health effects relating to sugar or other ingredients used in our products, whether accurate or not, or any negative publicity or litigation arising from certain health risks, could significantly reduce the demand for our products and materially harm our business and results of operations.

In addition, as consumer tastes and dining preference is constantly changing, which is difficult to anticipate, we cannot assure you that we are able to anticipate, identify, interpret and react to such changes in a timely manner or at all. Therefore, we cannot assure you that our products will remain preferred by our consumers. If we fail to launch new products that are widely accepted by our consumers, or if our competitors are able to react to the changes in consumer tastes and preference more effectively, we may experience reduced consumer demand, and our business, financial condition and results of operations may be materially and adversely affected.

More broadly, our success also depends on consumers' discretionary spending, which is influenced by macroeconomic conditions. Any material change in the amount of consumers' discretionary spending in China may have a material adverse effect on our business, results of operations and financial condition.

Our future growth depends on our ability to successfully expand our store network, attract franchisees and effectively manage our growth. We may not be able to successfully expand our store network into new markets and achieve satisfying store performance.

Our future growth depends on the ability to introduce new franchisees, expand our store network and achieve store profitability. We had 1,939, 1,926 and 2,299 new franchised stores in 2021, 2022 and the nine months ended September 30, 2023. The expansion of our store network may significantly increase the demand towards our management and operation, technology, employees and other resources. The planned expansion also requires us to maintain stable quality of raw material supplying and good relationships with the franchisees, so that our brand would not be affected by any actual or perceptible deterioration in the quality of our products or service. Our ability to attract new franchisees or existing franchisees to open new stores is crucial for our future success. In particular, we may need to compete with other freshly made tea shop brands or other franchisors in general for quality franchisees on grounds such as brand recognition and store profitability, among others. Failure to attract new and quality franchisees could hinder our store network expansion plan or overall store performance, which in turn may materially and adversely affect our growth and results of operations.

We experienced rapid expansion during the Track Record Period which may lead to increased risks and uncertainties in relation to our business operation. Our business plan for the growth in new stores may not be implemented as planned at all. Many factors that are out of our control could adversely affect our ability to maintain the historical expansion rate. For instance, our future success largely relies on our abilities to attract new franchisees who operate stores or attract existing franchisees for store expansion. Meanwhile, in the event that there was any delay or failure in the expansion of new stores, our development strategy, expected financial position and results of operations may be materially and adversely affected. In addition, we may face intense competition from industry competitors in aspects such as site selection. Furthermore, it takes time to apply for and obtain key licenses or permits from competent governmental authorities. Our continuous success is also dependent on our ability to recruit, train and retain qualified management, administrative, sales and marketing personnel, especially during the time of expanding into new markets. We also have to continuously manage our relationship with suppliers and other customers.

All of the above require extra attention and effort from our management and a significant amount of additional expenditures. Even if we manage to open more stores as planned, it would typically take a certain amount of time for the new stores to break even, or achieve results similar to existing stores. Our results of operations and profitability may fluctuate depending on the development strategies and progresses of new stores.

Our results of operations may be materially affected by the timing of opening new stores, which is affected by factors beyond our control. The actual timing of stores opening is also subject to the required time for the franchisees to obtain requisite pre-opening approvals, licenses and certificates. Any delay in new stores opening and/or closures of the existing stores will affect the store count, the operation days, as well as our results of operations. Therefore, the number and timing of opening of new stores has already, and may continue to have, a material effect on our profitability. Furthermore, as we continue to expand our store network, there can be no assurance that the new stores will not compete with the 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.

We face increasingly intense competition.

We operate the fourth largest network of freshly-made tea shops in terms of the system-wide store count in China as of September 30, 2023, and are facing 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. Our products are not proprietary, and we may not be able to prevent competitors from copying the recipes of our products. Thus, we may fail to effectively compete against, or may be outperformed by the other leading players. If we are unable to maintain the quality and attractiveness of our products, develop and launch new products that address our consumers' evolving demands, continuously optimize our consumer experience, or continue to enhance brand awareness, among other things, consumers may choose to switch from us to other leading players, which may have a material adverse impact on our results of operations, financial condition and business prospects. In addition, even if we are able to remain competitive against the other leading players, we may incur a significant amount of additional costs, which could result in a reduced level of profitability for our business.

In addition, freshly-made tea also competes with other types of beverages. While tea is currently popular among Chinese consumers, there can be no assurance that other beverages, freshly made or not, such as coffee, juices, fizzy drinks or yogurts will not gain popularity over freshly-made tea. To the extent any of these drinks gain popularity in China, even if not overtaking the popularity of tea, the entire freshly-made tea shop industry could be impacted, which in turn may lead to a decrease in the popularity of our products and our sales.

Any erosion of the reputation of our brand names or failure to protect our trademarks from counterfeiting or imitation, or any failure to effectively promote our brands could materially and adversely impact our business and results of operations.

We believe that the recognition of our brands among consumers helps us attract consumers and franchisees and contributes to the growth and success of our business. Accordingly, maintaining, protecting and enhancing the recognition of our brands is critical to our business and market position. If we fail to do so, our brand value and image will be undermined, and our business and results of operations may be materially and adversely affected.

Many factors, some of which are beyond our control, are important to maintaining, protecting and enhancing our brands, such as the following, among others:

- the quality and attractiveness of our freshly-made beverage throughout our store network;
- developing, launching or improving products that satisfy our consumers' needs;
- providing an enjoyable consumer experience;
- marketing and brand promotion activities;
- relationships and contractual terms with our franchisees, suppliers, service providers and other business partners;
- compliance with relevant laws and regulations;
- competition with against existing and future market players; and
- management of negative publicity regarding our products, services and data security, or other issues affecting us or China's food and beverage industry in general.

As we expand our business scale, geographical coverage and our product offerings, it may become more difficult for us to effectively manage the factors listed above, and we cannot assure you that consumers' trust in our brands will not decline.

Any events that will harm or erode our reputation, such as liability claims, litigation, consumers' complaints, illegal activities conducted in stores under our brands or other negative publicity regarding stores under our brands, any unlawful acts by other market participants as a result of using our brands illegally, or negative publicities that affect the entire freshly-made beverage industry may have a negative effect on our brands. In addition, any public perception that we, or other industry participants, do not provide satisfactory products or services to consumers, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brands, undermine the trust and credibility we have established and have a negative impact on our ability to attract and retain consumers, and our business, financial condition and results of operations may be materially and adversely affected. We cannot assure you that we will not receive any material consumer complaints or that no one will utilize our brand illegally, which could cause a material adverse effect on our future operations. Any damage to our reputation or brand may result in adverse impact on our business, financial condition and results of operations.

Failure to maintain the quality, safety and hygiene standards of our products could have a material and adverse effect on our reputation, financial condition and results of operations.

Quality, safety and hygiene standards of our products are vital to our reputation and success. There can be no assurance that internal and external personnel involved in our operation will always strictly comply with our quality control policies and guidelines despite our efforts in implementing them. Allegations or reports, with or without basis, of food-safety issues such as food-borne illnesses, adulteration, contamination or mislabeling, either during packaging, transportation, storing or preparation, as well as employee hygiene and cleanliness failures, or improper employee conduct, have in the past severely injured the reputations of companies in the food and beverage sectors. Any allegation or report linking us to such incidents could severely dampen our sales and could possibly lead to product liability claims, litigation and/or temporary store closures. In addition, food or beverage safety incidents, even those involving solely the suppliers or stores of our competitors, could result in negative publicity about us or the freshly-made beverage industry in general and adversely affect our sales on a regional or national basis. A decrease in consumer traffic as a result of food safety concerns or negative publicity, or as a result of a temporary closure of our system-wide stores, product recalls or food or beverage safety claims or litigation, could materially harm our business and results of operations.

In addition, there can be no assurance that our quality control and food safety control will remain effective at all times, and we may not be able to timely discover any flaw in our quality control and food safety control system. From time to time, criticisms, complaints and negative media coverage, regardless of their merit, may result in negative publicity, which could result in government inquiry or harm to our reputation and brands, thereby adversely affecting our business and prospects. Failure to discover or prevent any food contamination may adversely affect the quality of the products that we sell, which in turn might lead to liability claims and penalties and fines from relevant authorities, as well as loss of consumer traffic. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any major administrative penalties or major food safety incidents. There is no assurance that we will not receive any food contamination claims and relevant administrative punishments in the future. Any of these events may cause material damages to our reputation, financial condition and results of operations.

Our extensive store network consists primarily of franchised stores that we do not directly operate. We face certain risks associated with the use of the franchising business model.

As of September 30, 2023, 99.3% of the stores in our network were franchised stores that we do not directly operate. GMV generated from such franchised stores accounted for approximately 97.3%, 97.3% and 98.3% of our total GMV in 2021, 2022 and the nine months ended September 30, 2023, respectively. Hence, our business operation depends on the success of, and cooperation with, our franchisees. Such business model is subject to a number of risks, including the following, among others:

- *Control over franchisees*. Our franchisees are responsible for the day-to-day operation of their stores. As a result, the ultimate success and quality of a franchised store rests with the franchisees to a large extent. While we have set out comprehensive requirements for our franchisees, we cannot ensure that they will stay in compliance with our internal requirements at all times. In particular, as of September 30, 2023, our store network of 7,297 stores covered all four centrally administered municipalities and over 300 cities in five autonomous regions and 22 provinces. The expansive coverage of our network poses additional challenges for us to monitor our franchisees and enforce our policies. If our franchisees do not perform their obligations pursuant to their franchise agreements with us or our internal policies or guidelines, including, but not limited to, obtaining the relevant operating permits or complying with the applicable laws and regulations, or if our franchisees do not successfully operate stores pursuant to our standards, or project an image inconsistent with our brand and values, our brand image and reputation could be harmed, which in turn could hurt our business and operating results.

- *Our franchisees' ability to operate stores.* The success of our store network depends on the willingness and ability of our franchisees to remain aligned with us on commercial, operating and promoting strategies and standards, some of which may only be beneficial in the long term. There is no guarantee that our franchisees will share our vision, and they may refuse to take actions that are only beneficial in the long term.

- *Revenue generated from franchising.* The performance of our franchised stores strongly affects the volume of orders they place with us and the recurring franchising service fees they pay to us, which in turn directly affects our results of operations. Any deterioration in the performance of our franchised stores may lead to less procurement from them, hence negatively affecting our results of operations.

If any of our franchisees defaults under our agreements with them or commits wrongdoing, such franchisee may not be in a position to sufficiently compensate us for losses which we have suffered as a result of such defaults or wrongdoings. We may not be able to identify problems and make timely responses and, as a result, our brand image and reputation may suffer, which may have a material adverse effect on our results of operations.

Our expansion into new product offerings and markets may expose us to new and increased challenges and risks.

To better cater to consumers' evolving preference, we are committed to providing products with appealing tastes and launching new products from time to time to adapt to shifts in consumer tastes. We launched over 100 new products in each of 2021, 2022 and 2023. To launch new products and improve existing products, we are continuously conducting market research, involving parties across the value chain of our business to observe the changing trends in the markets, so that we are able to promptly respond to the constant changes in market trends, consumer tastes and preferences to design and develop relevant pipeline products. We cannot assure you that we will be successful in introducing new products and diversifying our product portfolio with tastes appealing to consumers in the future. We may spend substantial resources developing new products that may not achieve expected success, which may incur extra costs and expenses and in turn adversely impact our business and results of operations.

We launched *Jenny x Coffee* brand concept in 2022 and *Version Lite* brand concept in 2023. The principal products and target customers of our *Jenny x Coffee* and *Version Lite* concepts are different from those of our *Auntea Jenny* brand concept, we may not be able to replicate our success in expanding our *Auntea Jenny* brand concept. If we are not able to achieve desired profitability of our *Jenny x Coffee* and *Version Lite* concepts or expand our store network from such brands, our prospects and results of operations might be adversely affected. Such expansion changes our risk profile and subjects us to different market competition. Our results of operations may also be more volatile due to the rapidly changing market and industry conditions. Rolling out the new brand concepts will require substantial management and marketing efforts and the investment of significant funds. There is also a substantial risk that any new markets to which we introduce our products may not accept, or be as receptive to, our new brand concepts as, our success depends on our ability to anticipate the tastes and dietary habits of consumers and to market our brand concepts in ways that would appeal to the consumers in these new markets.

Our success depends on a stable and adequate supply of quality ingredients and raw materials, which is subject to risk of shortage, unsatisfactory quality, fluctuations in the cost and extreme weather.

The principal ingredients and raw materials for our products include dairy products, tea leaves, sugar, fresh fruits, fruit juices and packaging materials. In 2021, 2022 and the nine months ended September 30, 2022 and 2023, our procurement costs for ingredients and other raw materials primarily including materials and ingredients for the production of tea drinks, and packaging materials, amounted to RMB1,007.4 million, RMB1,273.9 million, RMB965.9 million and RMB1,399.7 million, respectively, accounting for 61.4%, 57.9%, 58.7% and 55.2%, respectively, of total revenue for the same periods. As a result, our costs depend on our ability to source quality key raw materials at competitive prices. If we are unable to obtain raw materials in the quantities, of a quality or at a price that we require, our quality of products and profit margins may be adversely affected. Raw materials used in our products are subject to price volatility caused by external conditions, such as market supply and demand, changes in governmental policies and natural disasters. Furthermore, we have consistently focused on sourcing raw materials from renowned places of origin. For example, we procure taro from Lipu, Guangxi, which is prone to climate change and relevant extreme weather such as heavy rains. We may face interruptions, delays or even shortage of the supply of raw materials in the case of such extreme weather. We may not be able to immediately pass raw material price increases on to our consumers from unforeseen changes in price of raw materials that may have an adverse effect on our profitability and results of operations.

In addition, if a large number of our current suppliers decide to terminate business relationships with us, or if the raw materials supplied by our current suppliers fail to meet our standards, or if our current supplies of raw materials are interrupted for any reason, qualified suppliers may not be readily available and we may not be able to easily switch to other suppliers in a timely fashion, which may materially and adversely affect our business and financial results.

Our operating results depend on the effectiveness of our branding, marketing and promotional programs. We may incur significant expenses in connection with our branding and marketing efforts, and our efforts in sales and marketing may not be effective as expected.

Our operating results are affected by our brand marketing efforts and advertising activities. To promote our brand recognition and increase our brand value, we had invested in branding, marketing and promotional initiatives during the Track Record Period. We utilize tailored and creative branding and marketing strategies through different channels and platforms, such as holding online marketing campaigns, crossover collaborations and social media marketing campaigns. For a detailed discussion of our branding and marketing activities, see "Business — Marketing and Promotion." In 2021, 2022 and the nine months ended September 30, 2022 and 2023, the selling and marketing expenses amounted to RMB178.0 million, RMB278.5 million, RMB211.9 million and RMB256.5 million, respectively. Going forward, we will continue to adopt such strategies to enhance our reputation.

As marketing trends in China are evolving, we may continue to explore new sales channels to keep pace with industry developments and consumer preferences. With our continued efforts in this regard, we expect our operational and marketing expenses may keep increasing. In addition, our crossover collaborations with third-party partners may fail or not achieve expected results. If any of the foregoing risks becomes materialized, our business and results of operations may be materially and adversely affected.

We may not be successful in promoting or managing our membership program.

As part of our growth strategy, our membership program allows our consumers to accumulate award credits and access a variety of membership privileges. Consumers who choose to join our membership program will be eligible for certain exclusive offers, benefits and services. We cannot predict with certainty the rate or extent to which our consumers will join our membership program. There can be no assurance that we will be able to sustain the success of our membership program, nor can we assure you that the program will be effective in retaining existing consumers or increase their purchase frequency.

We rely on third-party suppliers and other business partners to provide raw materials, equipment and services to us. The loss of any of these suppliers or other business partners, or any significant interruption in their operations, may negatively impact our business.

We rely on our third-party suppliers and other business partners to operate our business. For details of how we cooperate with our suppliers, see "Business — Procurement and Supply Chain Management." Hence, our results of operations would be materially and adversely affected if our cooperation with them has been interrupted, discontinued or otherwise deteriorated due to many factors, including, but not limited to, any interruptions to their operations, any failure of our suppliers to accommodate our fast growing business scale, any termination or suspension of our supply arrangements, any change in cooperation terms, or any disputes with our third-party suppliers or other business partners.

For example, a significant interruption in the operations of the third-party logistic service providers that we cooperate with could impact the operation of our sales of goods. Interruptions or failures in the third-party logistics services due to unforeseen events, such as inclement weather, natural disasters or transportation disruptions, could prevent the timely or successful delivery of raw materials and ingredients. If our raw materials and ingredients are not delivered to stores on time and in proper condition, there may be a shortage of our products, in which case our business and reputation may be adversely affected. Furthermore, a significant interruption in the operations of our raw material suppliers could cause a shortage of raw materials at in our system-wide stores. In addition, a significant disruption in the operations of equipment suppliers may result in delay of store opening. Our current agreements with our suppliers generally do not prohibit them from working with our competitors. Our competitors may be more effective in providing incentives to our suppliers to prioritize their orders in case of short supply. In addition, we rely on certain third-party systems and programs, such as our membership program, to conduct our business and any interruptions or delays in such platforms and services may impair our normal operations. If this happens, we cannot assure you that we would be able to find alternative suppliers on commercially reasonable terms, or a timely basis, or at all. If we could not solve the impact of the interruptions of operations of our third-party suppliers or other business partners, our business operations and financial results may be materially and adversely affected.

We may not be able to adequately manage our inventory, which could have a material adverse effect on our business, financial condition and results of operation.

Our inventories are mostly finished goods, representing materials and ingredients used to produce tea drinks in stores, which require us to manage our inventories effectively. We depend on our demand forecasts for various kinds of goods to make purchase decisions and to manage our inventories. Such demand, however, can change significantly between the time inventories are ordered and the date by which we hope to sell it. Demand may be affected by seasonality, new product launches, pricing and discounts, product defects, changes in consumer spending patterns, changes in consumer tastes and other factors, and our consumers may not purchase products in the quantities that we expect. In addition, as we develop and market a new product, we may not be successful in establishing stable and favorable supplier relationships or accurately forecasting demand. The acquisition of certain types of inventories may require significant lead time and prepayment and they may not be returnable.

Furthermore, as we plan to continue expanding our product offerings, we expect to include a wider variety of materials and ingredients in our inventory, which will make it more challenging for us to manage our inventory and logistics effectively. We cannot guarantee that our inventory levels will be able to meet the demands of consumers, which may adversely affect our sales. We also cannot guarantee that all of our inventory can be consumed within its shelf life. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-offs.

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

Undetected programming errors or flaws or failure to maintain effective user service could harm our reputation or even cause direct loss to us which would materially and adversely affect our results of operations.

Our operating systems may contain programming errors that only become apparent after their release. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any programming error which had a material impact on our operations. However, we cannot assure you that we can always detect and resolve all such programming errors effectively and timely. Undetected programming errors could adversely affect our operations, user experience and market acceptance. Any errors, bugs or vulnerabilities discovered in our code after release, or furthermore any willful misconduct of employees sabotaging our operating systems or data, could result in interruption of our operations, and damage to our reputation, loss of users, loss of revenues or liability for damages, any of which could adversely affect our business and operating results.

If our relationships with various third-party online platforms are interrupted or discontinued, our business and results of operations may materially and adversely be affected.

We cooperate with various third-party online platforms, including leading online delivery platforms, social media platforms and mobile payment platforms. These online platforms enable us to reach, acquire and interact with consumers, and engage innovative online marketing and branding campaigns. Our accounts on these online platforms release appealing and engaging content to promote our products and member activities from time to time. We collaborate with influencers and key opinion leaders on social commerce platforms, such as Douyin, and adopt new forms of marketing approaches, such as live streaming and short-form videos featuring our brand and products, to reach a broader potential consumer base, engage interactions with targeted consumers, and enhance brand recognition. We also collaborate with online delivery platforms to fulfill online orders from consumers. Any disruption in the delivery service provided by such online delivery platforms or issues with order accuracy or quality control during the delivery process may decrease consumers' satisfaction with our products, and thus may adversely affect our reputation and store performance. If we fail to establish our presence on more online channels, or if we are not able to renew our cooperative relationships with the existing online channels in a timely manner, on reasonable commercial terms or at all, our competitiveness of acquiring consumers through online channels at a relatively low cost may be compromised, and our sales and brand visibility may be adversely affected. If our cooperation with the online channels is discontinued, our business strategy may fail, which in turn, may materially and adversely affect our long-term development plans.

We rely on limited third-party delivery platforms to carry out delivery services for online orders, and are subject to certain risk inherent relating to online delivery.

A large portion of our orders are fulfilled through third-party delivery platforms. We currently have a limited number of delivery service providers, mainly consisting of two leading third-party delivery platforms in China. Hence, risks in relation to our collaboration with these service providers, such as interruption to their business operations, termination or suspension of our cooperation, disputes or deterioration with respect to our relationships, or adverse changes in key contractual terms such as increased fee rate, could result in delayed delivery of our tea drinks, increased costs or other negative impacts on our business and results of operations.

There can be no assurance that we and our franchisees can continue or extend relationships with these delivery platforms on terms acceptable to us, or that we will be able to establish relationships with new delivery service providers to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with partnered delivery platforms or to engage additional delivery service providers, it may delay our planned business expansion.

We rely on third-party warehousing and logistics service providers to store and deliver our products to our system-wide stores, and risks associated with warehousing and logistics may adversely impact our reputation, business and financial performance.

We partner with third-party providers with integrated warehousing and logistics services to deliver our goods efficiently. To ensure the optimized quality and condition of our products, we have set standards to the third-party providers for warehouses and cold-chain logistics. However, we cannot assure you that the third-party warehousing and logistics providers will always be able to satisfy our stringent quality control requirements. Any failure for us to properly supervise the storage and delivery of our products, observe proper hygiene, ensure cleanliness or meet other quality control requirements or standards in operations could adversely affect the product quality delivered to our system-wide stores. A significant interruption impacting the third-party warehouses, whether as a result of a natural disaster, labor difficulties, fire or other causes, or any unexpected and adverse changes in the optimal storage conditions of our third-party warehouse facilities, may expedite the deterioration of our products.

Historically, there were allegations against us with respect to food spoilage issues, which were possibly attributable to damage to packaging or packaging leaks during transportation of the products resulting from improper transportation conditions or mishandling by third-party suppliers or third-party logistics providers. Any risks associated with warehousing and logistics may adversely impact our reputation, business, financial condition and results of operations.

Any unexpected or prolonged disruptions for our warehouse operations could adversely affect our business.

As of September 30, 2023, our supply chain network includes (i) eight logistics centers, (ii) four equipment warehouses, (iii) nine fresh produce warehouses and (iv) 19 frontline cold-chain storage warehouses. Within our supply chain network, two of the fresh produce warehouses and all of the frontline cold-chain storage warehouses are operated by Independent Third Parties. In the event that there is any unexpected and prolonged disruption in the supply of utilities, such as water or electricity, or restricted access to the premises due to incidents such as fire, and we cannot restore the affected warehouse, or relocate to another suitable location promptly with well-equipped facilities, our business operations will be materially and adversely interrupted, which in turn, will affect our results of operations. However, we cannot assure you that our prevention measures are effective and sufficient. If any of our warehouses experiences a material incident or the prevention measures are not adequately implemented in the future, we may lose the raw materials stored therein, incur significant costs and expenses to restore or to relocate such warehouses, and/or be determined by the relevant authorities to be in violation of applicable laws and regulations and subject to relevant administrative penalties. If such an incident causes damages to other third parties, we may also be required to compensate if we are determined to be partially or fully responsible for such incident. Under such circumstances, our business operation, results of operations and financial condition may be adversely affected.

In particular, due to the fragile and perishable nature of our raw materials, we have established detailed technical criteria as to temperature and humidity for the warehousing and logistics of each type of raw material. Moreover, our warehouses are separated into different temperature zones to satisfy different warehousing requirements. If we incur any material equipment breakdown, such as the equipment failure for temperature or humidity control for a prolonged period of time, the quality of the raw materials stored in the relevant warehousing spaces may be compromised. We may have to discard them and absorb the relevant costs. In addition, repairing or adding equipment and machinery for our warehouses may be expensive and time consuming.

Certain of our major franchisees operate a large number of franchised stores under our brands, and disagreements with or termination of an arrangement with a major franchisee could adversely impact our results.

Certain of our franchisees operate a large number of franchised stores and are considered major franchisees. In 2021, 2022 and the nine months ended September 30, 2023, we derived 4.1%, 2.7% and 1.9%, respectively, of our total revenues from arrangements with our five largest franchisees. The termination of an arrangement with a major franchisee could result in the delay of the development of franchised stores, or an interruption in the operation of one of our brands in a particular market or markets. Any interruption in operations due to the termination of an arrangement with a major franchisee similarly could result in lower revenues for us, particularly if we were to determine to close store following the termination of an arrangement with a major franchisee.

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

The industry we operate shall comply with the laws and regulations of food safety in China. Such regulations set out the safety standards for food and food additives, packaging and containers, the information required to be disclosed on packaging, and the regulations on food operation and sites and sale of food. In recent years, the Chinese government has been stepping up its supervision on food safety and has implemented several laws, regulations and standards in respect of food safety. 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 operation as ordered, revocation of operation permits, and in extreme cases, criminal liability. Despite our current compliance with existing laws and regulations of food safety, if the Chinese government makes further changes to its regulations on food safety, our production, sale and distribution costs may increase, and we may not be able to successfully pass the additional costs on externally, which will have adverse impacts on our business, financial condition and development prospects.

Our historical results of operations and financial condition are not indicative of future performance, and we may not be able to achieve and sustain the historical level of revenue and profitability.

Since our first store was launched in 2013 in Shanghai, we had achieved rapid growth with 7,297 stores as of September 30, 2023. However, our operating history may not serve as an adequate basis for evaluating our prospect and operating results, and our historical growth may not be indicative of our future growth or financial results.

Our growth rates may decline for a number of possible reasons and some of them are beyond our control, such as the general health awareness, popularity of traditional tea consumption culture, consumption of residents and urbanization rate and the development of delivery service and online order. We will continue to expand our store network and diversify product offerings to further increase our consumer base and enrich our consumers' experience. However, our expansion plan is subject to uncertainties and our business may not grow at the expected rate for any of the foregoing reasons. If our growth rates decline, public market analysts or investors' perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline.

Various approvals, licenses and permits are required 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 business and results of operations.

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 in the PRC, respectively. From time to time, we may be required to make additional efforts to follow the laws and regulations in relation to necessary approvals, licenses and permits. 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 are valid only for a fixed period of time subject to renewal and accreditation.

Complying with government regulations may require substantial expenses, and any noncompliance may expose us to liability. In case of any noncompliance, we may have to incur significant expenses and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business and financial performance. 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 noncompliance in this regard may cause penalties, such as temporary closure, for related franchised stores. If a large number of franchised stores are subject to such penalties or temporary closure, our operational results and financial performance may be negatively impacted.

We cannot assure you that we and our franchisees will be able to maintain the various approvals, licenses and permits to operate our business in the PRC at all times. In particular, 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 in a timely manner or at all. If any of these occurs, our ongoing business could be interrupted and our expansion plan may be delayed.

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

We may be exposed to fraud, bribery or other misconduct committed by our employees, franchisees, suppliers or any other third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. We may be unable to prevent, detect or deter all such instances of misconduct committed by our franchisees, employees or other third parties. As store employees may need to handle cash in daily operations, there might be fraud, theft or other misconduct with respect to cash management that could subject us and our franchisees to financial losses. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

We may experience significant liability claims, and we increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage and malicious allegations, all of which could severely damage our reputation and materially and adversely affect our business, results of operation, financial condition and prospects.

Publicity about our business creates the possibility of heightened attention from the public, regulators and the media. Heightened regulatory and public concerns over customer protection and customer safety issues may subject us to additional legal and social responsibilities and increased scrutiny and negative publicity over these issues, due to our large number of transactions and continued business expansion. Any negative report regarding our business, financial condition and results of operations, regardless of its truthfulness, could damage our brand image and severely affect the sales of our products and possibly lead to product liability claims, litigations or damages. In addition, improper behaviors or statements of our spokespersons, endorsers and other celebrities we have cooperated with and our employees may result in substantial harm to our brand, reputation and operations. There is no assurance that we would not become a target for regulatory or public scrutiny in the future or that scrutiny and public exposure would not severely damage our reputation as well as our business and prospects.

Our business and results of operations may be negatively affected by any industry wide food safety related concerns even if such concerns are through no fault of our own or related to our business.

The freshly-made beverage industry in China as a whole is subject to concern over food safety and quality related issues. In particular, there have been numerous reports and negative publicities targeting the safety and quality incidents in China's freshly-made beverage industry. While the reports and allegations are not targeted to us, the freshly-made beverage industry as a whole can be negatively impacted by these incidents and associated reports. Our prospects, business, results of operations and financial condition can be negatively impact if the freshly-made beverage industry experiences a slower growth.

We may be unable to receive compensation from suppliers for defective raw materials or ingredients used in our self-operated stores and franchised stores and indemnity provisions in our supply contracts may be insufficient.

In the event that we become subject to food safety claims caused by defective ingredients or raw materials from our suppliers, we can attempt to seek compensation from the relevant suppliers. However, warranties or indemnities provided by suppliers may be limited and the claims against suppliers may be subject to certain conditions precedent which may not be satisfied. Further, our supply contracts usually do not have provisions to cover lost profits and indirect or consequential losses. If no claim can be asserted against a supplier, or amounts that we claim cannot be recovered from the supplier, to the extent that such amounts cannot be covered by insurance coverage, if any, we may be required to bear such losses at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

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

We are subject to a variety of laws and regulations imposed by the Chinese government relating to environmental protection, health, fire safety and other safety. Compliance with existing and future environmental protection, health, fire safety and other safety laws could subject us to costs or liabilities, which may result in significant capital expenditure including monetary damages and fines, impact our production capabilities, result in suspension of our business operations and impact our financial performance. We currently do not carry any insurance relating to environmental protection. If we are held liable for damages in the event of any pollution, injury or other violation of applicable environmental protection, health, fire safety or other safety laws, we may also be subject to adverse publicity and our financial condition and results of operations could be materially and adversely affected.

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

Business interruptions at our current production facility could adversely affect our business.

Our production facility utilizes automated machinery and equipment to optimize production flow and enhance the efficiency of our workforce. Any significant downtime associated with the maintenance and repair of machinery and equipment used in our production facility will result in temporary interruption of our production. Although we have an in-house maintenance and repair team for our machinery and equipment, the failure of equipment manufacturers or our team to conduct timely repairs on our machinery and equipment could interrupt the operation of our production facility for extended periods of time. Any extended downtime could result in a loss of production and therefore adversely affect our sales.

Furthermore, our production and operations depend on a continuous and adequate supply of utilities, such as electricity, water and gas. If there are any shortages of power, water, gas or other utilities, the local authorities may require our production facility to be shut down periodically. Any disruption in the supply of electricity, water, gas or other utilities at our production plants may disrupt our production. This may adversely affect our ability to fulfill our sales orders and consequently may have an adverse effect on our business, results of operations and financial condition.

In addition, our production facility and operations are subject to various risks. Fire, earthquakes, natural disasters, pandemic or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms, causing power outages, damage to our production facility or disruption of transportation channels, among other events, may interfere with our operations and cause disruption to the production activities of our suppliers, resulting in delays in delivery of raw materials and packaging materials. We cannot assure that we will be able to take adequate steps to mitigate the potential impact of such unforeseeable events, or to effectively respond to them, which may adversely affect our business, results of operations and financial condition.

During the Track Record Period, we built our Haiyan Facility. We plan to expand our production capacity depending on market demand. We cannot guarantee that the construction of the new production lines will be completed in a timely manner, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business and financial performance.

We are subject to risks in relation to leased properties.

Our factories, warehousing facilities, self-operated stores, office spaces and almost all of franchised stores are located on leased premises. Therefore, we are subject to a number of risks in relation to the leased properties in the ordinary course of our business, including but not limited to the following:

- There might be defects in the leasehold interest of our leased properties: (i) certain lessors fail to provide the ownership certificates and/or construction permits for our leased properties; (ii) certain lessors did not provide authorizations from the property owners for the lessors to sublease the properties; (iii) two leased properties are used in a manner inconsistent with the respective planned land usage and (iv) two leased properties are properties on the state-owned allocated land without the leasing approval from the land administration department. See "Business — Properties — Leased Properties." Our use of the leased properties with title defects may be affected by third parties' claims or challenges against the lease. As a result, the relevant lease agreements may be deemed unenforceable in accordance with the relevant laws and regulations, and we may be required to vacate from such properties. For the leased properties without construction permits, the relevant leased agreements may be deemed invalid and the premises on the relevant leased properties may be ordered to be demolished by the competent authorities and we may not be able to continue using such premises. In addition, our occupation and usage of properties listed under (i), (iii) and (iv) above may face challenges from the government authorities. We might incur additional costs and resources to relocate relevant properties into new locations.

- Certain of our lease agreements have not been registered and filed with the relevant land and real estate administration bureaus in the PRC. The relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. See "Business — Properties — Leased Properties — Lease Registration and Filing."

- Because the lease agreements for stores generally have short lease terms, the ability to renew existing lease agreements at reasonable commercial terms is crucial to the stores' continuous operations and profitability, especially for those in locations with high volume of consumer traffic. At the end of each lease term, we and our franchisees may not be able to negotiate an extension of the lease with the landlord and may therefore be forced to vacate the leased premises and move to a less favorable location.

- 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, and the relevant stores need to be temporarily closed if we and our franchisees are not able to identify suitable premises on acceptable terms to relocate in a timely manner.

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

Macro-economic factors have had and may continue to have a material adverse effect upon our business, financial condition and results of operations.

Our business, financial condition, results of operations and development prospects are affected, to a significant extent, by the macroeconomic conditions in China and across the globe as well as by the economic conditions specific to our business. The activity level of the global economy, markets, consumers and business are influenced by many factors beyond our control. We generated all of our revenue from our operations in China during the Track Record Period, the performance of which is closely related to the macroeconomic conditions of China. An economic downturn, whether actual or perceived, a decrease in the economic growth rates or an uncertainty in the economic outlook in China may have a material adverse impact on consumer expenditure. Any deterioration of China's economy, contraction of consumer expenditure on food, fear of a recession and decrease in consumer confidence may lead to reduction in the number of orders placed at our system-wide stores and through online channels and the average sales value per transaction, which could materially and adversely affect our business, financial condition and results of operations.

Laws and regulations related to online and offline transactions may impose more stringent requirements and obligations on our operations in our sales channels. Our business is also subject to risks associated with the online payment through third-party payment platforms and other payment methods.

Consumers may purchase products at stores in our network using a variety of payment methods through third-party payment channels, including Weixin Pay and Alipay, and there are certain risks in relation to the foregoing payment methods, including but not limited to the following:

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

In addition, we do not have control over the security measures of third-party online payment platform service providers. Security breaches of the online payment platforms could result in litigation and possible liability for failing to secure confidential user information and could damage our reputation. Any leak of confidential information, breach of network security or other misappropriation or misuse of personal information could cause interruptions in the business operation of stores in our network and subject them to increased costs, litigation and other liabilities, which could negatively affect our financial and operating results and damage our reputation.

We, our Directors, management and employees may be subject to litigation, arbitration and regulatory investigations and proceedings, such as claiming in relation to food safety and quality, commercial, labor, employment, antitrust or securities matters, and may not always be successful in defending ourselves 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 poisoning. The PRC government, media outlets and public advocacy groups have been increasingly focused on consumer protection in recent years. See "Regulatory Overview — Regulations on Product Quality and Consumer Rights Protections." Sale of defective food and beverages may expose us to liabilities associated with consumer protection laws. Sellers are generally responsible for compensation on consumers' loss even if the contamination of food is not caused by the sellers. Thus, 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. Though we can ask the responsible parties for indemnity after that, our reputation could still be adversely affected. In addition, our Directors, management, franchisees and employees may from time to time be subject to litigation and regulatory investigations and proceedings or otherwise face potential liability and expense in relation to food safety, commercial, labor, employment, antitrust or securities matters, which could adversely affect our reputation and results of operations.

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

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

Our future success is significantly dependent upon the continued service of our key management as well as experienced and capable personnel generally. If we lose the services of any member of key management, 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 key management joins a competitor or forms a competing business, we may lose customers, know-how and key professionals and staff members.

Our rapid growth also requires us to hire, train and retain a wide range of talents who can adapt to a dynamic, competitive and challenging business environment and are capable of helping us conduct effective marketing, create creative new products and develop technological capabilities. We will need to continue to attract, train and retain talents at all levels, such as skillful tea barista, as we expand our business and operations. We may need to offer attractive compensation and other benefits package, including share-based compensation, to attract and retain them. We also need to provide our employees with sufficient training to help them to realize their career development and grow with us. Any failure to attract, train, retain or motivate key management and experienced and capable personnel could severely disrupt our business and growth.

Developments in the labor market, increases in labor costs or any possible labor unrest may adversely affect our business and results of operations.

Our business requires a substantial number of personnel. Any failure to retain stable and dedicated labor by us may lead to disruption to our business operations. Although we have not experienced any labor shortage to date, we have observed an overall tightening and increasingly competitive labor market. 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 expense was RMB166.6 million, RMB266.5 million, RMB186.9 million and RMB268.5 million in 2021, 2022 and the nine months ended September 30, 2022 and 2023. We compete with other companies in our industry and labor-intensive industries for labor, and we may not be able to offer competitive remuneration and benefits compared to them. If we are unable to manage and control our labor costs, our business and results of operations may be materially and adversely affected.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations, which may have a material adverse effect on our reputation, business, financial condition and results of operations.

We have purchased property insurance policies which comprehensively covered major business interruptions and accidental loss, such as fire, water and malicious damage.

Although we require our franchisees to obtain the requisite insurance coverage through our franchisees management, we cannot guarantee that our franchisees will adhere to such requirements. In particular, there are inherent risks of accidents or injuries in stores. 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, business, financial condition and results of operations may be materially and adversely affected.

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

During the Track Record Period, certain of our franchisees (individual or collectively, the "**Third-party Payment Customer(s)**") settled their payments with our Group's certain entities ("**our Third-party Payment Entities**") through the accounts of third parties designated by these Third-party Payment Customers (the "**Third-party Payment Arrangement**"). Our Group had ceased the Third-party Payment Arrangement by December 19, 2023.

In 2021, 2022 and the nine months ended September 30, 2023, the aggregate amount of payment from designated third parties to our Group was RMB452.4 million, RMB205.6 million and RMB27.7 million, respectively, representing approximately 25.7%, 8.9% and 1.0% of the total payments received from all customers, respectively. During the Track Record Period, no individual Third-party Payment Customer had made material contribution to our revenue. See "Business — Risk Management and Internal Control Systems — Third-party Payment Arrangement."

We were subject to various risks relating to such Third-party Payment Arrangement during the Track Record Period, such as (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors and (ii) potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilized by the third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us to demand return of the relevant payment or for violation or noncompliance of laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the products that we sold and services that we provided.

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 RMB226.2 million, RMB260.9 million and RMB683.1 million, respectively. Historically, our financial assets at fair value through profit or loss primarily represent low-risk wealth management products and structured deposits that we purchased from creditworthy banks in the PRC. The wealth management products and structured deposits 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.

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

Our business processes subject us to risks inherent to handling and protecting a large volume of data, especially consumers' personal data. In particular, we face a number of challenges relating to data security and privacy, including but not limited to:

- protecting the data in and hosted on our system, including against attacks on our system by outside parties, data leakage or fraudulent behavior or improper use by our employees or business partners;
- addressing concerns, challenges, negative publicity and litigation related to data security and privacy, collection, use and actual or perceived sharing (including sharing among our own businesses, with business partners or regulators), safety, security and other factors that may arise from our existing businesses or new businesses or new technologies; and
- complying with applicable laws and regulations relating to the collection, use, storage, transfer, disclosure and security of personal data, including requests from data subjects and compliance requirements in accordance with applicable laws and regulations.

We have adopted internal guidelines for the protection of personal data of our members, and to ensure our compliance with relevant PRC laws and regulations with respect to privacy and personal data protection. Nevertheless, the efforts that we take to protect our members' personal information may not always be sufficient or effective. Any improper handling of our consumers' personal information as a result of any misconduct by our employees or any information leakage due to external factors, such as unauthorized access to our consumer database by hackers, could result in civil or regulatory liabilities which may subject us to significant legal, financial and operational consequences. We are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data. On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》), which came into effect on September 1, 2021. The Data Security Law imposes certain data security and privacy obligations on entities and individuals carrying out data activities, like us, and prohibit any PRC individual and entity from providing data stored within the PRC for foreign judicial or law enforcement authorities without approval by competent authorities in the PRC. Further, the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) was passed by SCNPC on August 20, 2021 and came into effect on November 1, 2021. The law applies to all activities conducted in our establishments within the PRC or related to services that we offer to natural persons within the territory of the PRC. It creates a range of new compliance obligations, which could cause us to change our business practices, and may impose substantial penalties for noncompliance.

Further, on January 4, 2022, the Cyberspace Administration of China ("**CAC**") published the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Revised CAC Measures**") on its website, which became effective on February 15, 2022. The Revised CAC Measures provide that a critical information infrastructure operator purchasing network products and services, and platform operators carrying out data processing activities which affect or may affect national security, must apply for cybersecurity review. The Revised CAC Measures also provide that a platform operator with more than one million users' personal information aiming to list abroad must apply for cybersecurity review. However, the Revised CAC Measures provide no further explanation or interpretation for "list abroad." As of the Latest Practicable Date, we had not received any notification from relevant government authorities that we will or may be recognized as a critical information infrastructure operator. On November 14, 2021, the CAC published the Draft Cyber Data Security Regulations, which apply to activities relating to the use of networks to carry out data processing activities within the territory of the PRC. Our PRC Legal Advisor advises that the Draft Cyber Data Security Regulations are applicable to the data processing activities of certain of our subsidiaries in the PRC, if the draft regulations were to be implemented in their current form. It stipulates that a data processor who processes more than one million persons' personal information aiming to list abroad or a data processor who seeks to complete a listing in Hong Kong which affects or may affect national security is required to apply for cybersecurity review pursuant to relevant rules and regulations. However, the Draft Cyber Data Security Regulations do not provide the standard to determine the circumstances that would be determined to "affect or may affect national security." As of the Latest Practicable Date, we had not been subject to any material administrative penalties, mandatory rectifications or other sanctions by any competent regulatory authorities in relation to cybersecurity and data protection, nor had there been material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of our knowledge, threatened against or relating to us. If the Draft Cyber Data Security Regulations were to be implemented in its current form, based on the foregoing and a detailed analysis of its provisions by our PRC Legal Advisor, we and our PRC Legal Advisor do not foresee any impediment for us to comply with the Revised CAC Measures and the Draft Cyber Data Security Regulations in major aspects, given that as disclosed in "Business — User Privacy and Data Security" of this document, we have implemented a comprehensive set of internal policies, procedures and measures to ensure our compliance practice. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection, including the Draft Cyber Data Security Regulations and the interpretation or implementation rules of laws and regulations of cybersecurity and data protection, if any, and we will adjust and enhance our data practices in a timely manner to ensure compliance once the regulations come into effect. The interpretation and application of laws, regulations and standards on data protection and privacy shall be in compliance with the then effective laws and regulations. We cannot assure you that our data privacy and protection measures are, and will be, always considered sufficient under applicable laws and regulations. We may be subject to investigations and inspections by government authorities regarding our compliance with laws and regulations on data privacy, and we cannot assure you that our practices will always fully comply with all applicable rules and regulatory requirements. In addition, laws, regulations and standards on data protection and privacy continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing international requirements may cause us to incur substantial costs or require us to change our business practices. Additionally, the integrity of our data privacy and protection measures is also subject to risks of systemic failure, interruption, inadequacy, security breaches or cyberattacks. If we are unable to comply with the then applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failures could damage our reputation, impact our ability to manage digital operations and could subject us to significant legal, financial and operational consequences.

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

We rely on our computer systems and network infrastructure across our operations to monitor the daily operations of our system-wide stores and to collect accurate up-to-date financial and operating data for business analysis. Any damage or failure of our computer systems or network infrastructure that causes an interruption in our operations could have a material adverse effect on our business and results of operations.

We also receive and maintain certain personal information about our customers when accepting credit cards or smart cards for payment. If our network security is compromised and such information is stolen or obtained by unauthorized persons or used inappropriately, we may become subject to litigation or other proceedings brought by cardholders and financial institutions that issue cards. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our brand could also be negatively affected by these events, which could further adversely affect our business and results of operations.

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

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 brand and market acceptance, competitive advantages or goodwill. In addition, we consider our proprietary information systems and operational system to be key components of our competitive advantage and our growth strategy.

Monitoring and preventing the unauthorized use of our intellectual property is difficult. The measures we take to protect our brand, trade names, trademarks and other intellectual property rights may not be adequate to prevent their unauthorized use by third parties. If we are unable to adequately protect our brand image, trade names, trademarks and other intellectual property rights, we may lose these rights and our business may suffer materially.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate intellectual property rights held by third parties. We may be subject to legal proceedings and claims relating to the intellectual property rights of others in the future. There could also be existing intellectual property of which we are not aware that our products may inadvertently infringe. We cannot assure you that holders of intellectual property purportedly relating to some aspect of our technology platform, software and other applications or business in general, if any such holders exist, would not seek to enforce such intellectual property against us in mainland China, Hong Kong SAR or any other jurisdictions. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. In addition, we may incur significant expenses, and may be forced to divert management's time and other resources from our business and operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

We have granted and may continue to grant awards under our share incentive plan, which may result in increased share-based compensation expenses.

We have share incentive plan in place to attract and retain qualified employees, provide incentives to our directors and employees and promote the success of our business. For the years ended December 31, 2021 and 2022 and in the nine months ended September 30, 2023, we recorded RMB1.3 million, RMB4.8 million and RMB4.3 million in share-based payment expenses, respectively. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

We may be required to pay the outstanding amount of contributions of social insurance and housing provident funds and subject to late payments and fines imposed by relevant governmental authorities or other legal sanctions.

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. See "Business — Our Employees — Social Insurance and Housing Provident Funds."

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.

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.

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

PRC laws and regulations prohibit advertising companies from producing, distributing or publishing any advertisement with content that violates PRC laws and regulations. We may be subject to claims by customers misled by information in our advertisements. We may not be able to recover our losses from advertisers by enforcing the indemnification provisions in the contracts, which may result us in diverting management's time and other resources from our business and operations to defend against these infringement claims. As a result, our business, financial condition and results of operations could be materially and adversely affected.

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

Taking into account the net [**REDACTED**] from the [**REDACTED**], cash generated from our operating activities and bank facilities available to us, our Directors believe that we will have available sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this document. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional funds 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 condition, results of operations and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in China and elsewhere.

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 business, financial condition and prospects may be materially and adversely affected.

We may not be able to fulfill our obligations in respect of contract liabilities, which may have a material and adverse impact on our business, reputation and liquidity position.

As of December 31, 2021, 2022 and September 30, 2023, we recorded contract liabilities of RMB83.6 million, RMB94.2 million and RMB83.0 million, respectively, which mainly represent the advance payments received from franchisees for the sales of products and the franchise services. For details, see "Financial Information — Selected Balance Sheet Items — Contract Liabilities."

Our ability to fulfill our contractual obligations to our customers can be affected by various factors, many of which are beyond our control, including those listed in this section. If we fail to provide satisfactory products and services to our customers in time, we may not be able to honor our obligations in respect of our contract liabilities, which may have a material and adverse impact on our business, reputation and liquidity position.

Our financial and results of operations may be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes.

Our financial and operating performance may be adversely affected by epidemics, adverse weather conditions, natural disasters and other catastrophes, particularly in locations where we operate a large store count. For instance, our business could be materially and adversely affected by the outbreak of swine influenza, avian influenza, severe acute respiratory syndrome or epidemics. Since our system-wide stores are currently located in various locations in China, 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 financial and operating performance may be adversely affected.

We enjoy certain governmental grants and preferential tax treatments from the government of PRC. Expiration of, or changes to theses preferential tax treatments and government grants may negatively impact our business.

During the Track Record Period, we had benefited from certain government grants and preferential tax treatments. See "Financial Information — Period-to-Period Comparison of Results of Operations — Other Income and Gains, Net." In addition, we also recognized other income from government grants of RMB10.7 million, RMB24.1 million and RMB38.1 million in 2021, 2022 and the nine months ended September 30, 2023, respectively. We cannot assure you that we will continue to receive government grants or preferential tax treatments at the same level or at all, in which case our business, financial condition and result of operations may be materially and adversely affected.

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

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

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

All of our operations are currently located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but there may be uncertainties that those measures will have a negative effect on us. In addition, the global macroeconomic environment is facing challenges. For example, the public health event has caused significant downward pressure for the global economy, and many major economies have lowered their expected growth rate. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

We may be subject to the approval or other requirements of 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 certain 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 those regulatory authorities for failure to seek such government authorization, or perform filing procedures, for the [**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 adverse effect on our business.

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

On July 6, 2021, the relevant PRC government authorities issued 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 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) (the "**Overseas Listing Trial Measures**"), which has become effective on March 31, 2023. The Trial Administrative Measures, require, among others, that PRC domestic enterprises that seek to 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 Trial Administrative Measures to ensure our compliance with the PRC legal system. 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 [**REDACTED**] and have a material adverse effect on our business and financial positions.

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 promulgated, their interpretation, application and enforcement are still evolving and subject to change. We will closely monitor 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 the [**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.

It would be prudent for you to weigh the scope and extent of legal protections available to you under the PRC legal system.

Our operations in China are subject to PRC laws and regulations. We and all of our material subsidiaries are organized under the laws of the PRC. The PRC legal system is based on written statutes. The PRC government has promulgated laws and regulations dealing with such economic matters as securities, shareholders' rights, foreign investment, corporate organization and governance, commerce, taxation and trade, with a view towards developing a comprehensive system of commercial law. As a result, it would be prudent for you to weigh the scope and extent of legal protections available to you under the PRC legal system.

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 ITT 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 ITT 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 had expressly provided that whether individual income tax shall be levied from 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 enterprise income tax 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%. 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 interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities shall be in accordance with the then effective laws and regulations, and new taxes may be imposed which may adversely affect the value of your investment in our H Shares.

You may experience difficulties in effecting service of legal process against us and our management.

We are a company incorporated under the laws of the PRC, and a substantial portion of our business, assets and operations are located in mainland China. In addition, to the best knowledge of the Company, a majority of our Directors, Supervisors or members of our senior management reside in mainland China, and a substantial portion of the assets of such Directors, Supervisors or members of our senior management are located in mainland China. As a result, it may be cumbersome, and time-consuming to effect service of process outside mainland China upon us or such Directors, Supervisors or members of our senior management.

Although we will be subject to the Listing Rules and the Hong Kong Codes on Takeovers Code upon the [**REDACTED**] of our H Shares on the Hong Kong Stock Exchange, 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 Hong Kong Stock Exchange to enforce its rules. The Listing Rules and Hong Kong Codes on Takeovers Code do not have the force of law in Hong Kong.

Regulations on currency exchange or outbound capital flows may limit our ability to utilize our revenue effectively.

The conversion of RMB 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 control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

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

We are subject to present or future environmental, safety and occupational health laws and regulations may have a material adverse effect on our business, financial condition and results of operations.

Certain of our business is subject to certain laws and regulations relating to environmental and safety matters. Under these laws and regulations, we are required to maintain safe production conditions and to protect the occupational health of our employees. We cannot assure you that we will not experience any material accidents or work injuries in the course of our manufacturing process in the future. In addition, our manufacturing process produces pollutants such as wastewater, noise, smoke and dust. Notwithstanding the existing controls, the discharge of pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge.

We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expenses. Should stricter environmental protection standards and regulations be imposed in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] market for our H Shares, and their liquidity and [REDACTED] may be volatile.

Prior to the **[REDACTED]**, there was no **[REDACTED]** market for our H Shares. We cannot assure you that a **[REDACTED]** market for our H Shares with adequate liquidity and **[REDACTED]** volume will develop and be sustained following the completion of **[REDACTED]**. In addition, the **[REDACTED]** of our H Shares is expected to be fixed by agreement between the **[REDACTED]** and us, and may not be an indication of the market price of our H Shares following the completion of the **[REDACTED]**. If an active **[REDACTED]** market for our H Shares does not develop following the completion of **[REDACTED]**, the market price and liquidity of our H Shares could be materially and adversely affected.

The price and **[REDACTED]** volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our results of operations, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade.

In addition, the Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before [REDACTED] of our H Shares begins.

The [**REDACTED**] of our H Shares is expected to be determined on the [**REDACTED**]. However, our H Shares will not commence [**REDACTED**] on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. The price and [**REDACTED**] volume of the H Shares may be highly volatile. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products and services or fluctuations in market prices for other competitive companies could cause the market price of our H Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our H Shares will trade. We cannot assure you that these developments will not occur in the future. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before [**REDACTED**] begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time [**REDACTED**] begins.

Substantial future sales or the expectation of substantial sales of our H Shares in the public market could cause the price of our H Shares to decline.

Although our Controlling Shareholders are subject to restrictions on their sales of Shares within 12 months from the [**REDACTED**] as described in "[**REDACTED**]" in this document, future sales of a significant number of our H Shares by our Controlling Shareholders or other existing shareholders in the public market after the [**REDACTED**], or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through [**REDACTED**] of our H Shares. We cannot assure you that our Controlling Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not issue H Shares pursuant to the general mandate to issue shares granted to our Directors upon the expiration of restrictions set out above. We are currently applying for part of the Company's Domestic [**REDACTED**] Shares to circulate on the Hong Kong Stock Exchange after the completion of the [**REDACTED**]. According to the PRC Company Law, the Shares issued by the Company prior to the [**REDACTED**] are restricted from [**REDACTED**] within one year from the [**REDACTED**]. Such restriction from [**REDACTED**] will limit the number of H Shares to be circulated on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. If our application for the circulation of our relevant Domestic [**REDACTED**] Shares on the Hong Kong Stock Exchange after the completion of the [**REDACTED**] is successful, any future sales (after the expiration of the restrictions set out above) of Domestic [**REDACTED**] Shares by relevant Shareholders in the [**REDACTED**] market may affect the market price of the H Shares. Moreover, if we convert a substantial number of domestic [**REDACTED**] shares into H shares to be [**REDACTED**] and [**REDACTED**] in the future at the Hong

Kong Stock Exchange, it may further increase the supply of the H shares in the market, which may affect the market price of the H Shares. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders or other existing Shareholders, or the Shares available for sale by our Controlling Shareholders or other existing Shareholders, or the issuance of Shares by our Company may have on the market price of the H Shares. Sale or issuance of a substantial number of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing [**REDACTED**] of the H Shares.

We may need additional capital, and the sale or issue of additional Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [**REDACTED**] from the [**REDACTED**], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

As the [REDACTED] of our H Shares is higher than our consolidated net tangible book value per Share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our H Shares in the [**REDACTED**] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible asset value per Share of their H Shares. In addition, holders of our H Shares may experience further dilution of their interest if the [**REDACTED**] exercise the [**REDACTED**] or if we issue additional H Shares in the future to raise additional capital.

Future sale or major divestment of Shares by our Controlling Shareholders may materially and adversely affect the prevailing market price of our H Shares.

The future sale of a significant number of our Shares in the public market after the [**REDACTED**], or the possibility of such sales, by our Controlling Shareholders or strategic investors could materially and adversely affect the market price of our Shares and could materially impair our future ability to raise capital through [**REDACTED**] of our Shares. Although our Controlling Shareholders and financial investors have agreed to a lock-up on their Shares, any major disposal of our Shares by any of our Controlling Shareholders and financial investors upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

Our Controlling Shareholders may have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] are not exercised), our Controlling Shareholders will be entitled to exercise or control the exercise of an aggregate of approximately [**REDACTED**]% of the voting power at general meetings of our Company. Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the approval of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

We cannot assure you whether and when we will declare and pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to distribute dividend to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information — Dividend."

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 SAFE by complying with certain procedural requirements. However, we cannot assure you that there will be no future changes to these foreign exchange policies regarding payment of dividends in foreign currencies.

Certain facts and statistics contained in this document are derived from a third-party report and publicly available official sources and they may not be reliable.

Certain statistics contained in this document relating to, among other things, the industry in which we operate have been derived from a third-party report and various official government publications. However, we cannot assure you of the quality or reliability of such source materials. They have not been prepared or independently verified by us, the **[REDACTED]** or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts.

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

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

Investors should read the entire document carefully and should not consider any particular statements in this document or in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, there has been coverage in the media regarding us and the [**REDACTED**], which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Shan Weijun (單衛鈞先生)	Room 2801, No. 2 Lane 168, Xingye Road Huangpu District Shanghai, PRC	Chinese
Ms. Zhou Rongrong (周蓉蓉女士)	Room 2801, No. 2 Lane 168, Xingye Road Huangpu District Shanghai, PRC	Chinese
Mr. Zhou Tianmu (周天牧先生)	Room 1102, No. 3 Lane 558, Tianbao Road Hongkou District Shanghai, PRC	Chinese
Mr. Wang Jiaxing (汪加興先生)	Room 1601, Building 11 Lot B, Jincheng Mansion No. 469 Nanfeihe Road Baohe District, Hefei Anhui Province, PRC	Chinese
Independent Non-Executive Directors		
Mr. Han Ding-Gwo (韓定國先生)	Room 2202, Building 2 Jiahua Binjiang Yuan, Lane 1188 Pu Ming Road Pudong New Area Shanghai, PRC	Chinese (Taiwan)
Mr. Chung Chong Sun (鍾創新先生)	Flat D, 15/F Ho Kwan Building 48-54 Jordan Road Yau Ma Tei, Kowloon Hong Kong	Chinese (Hong Kong)
Ms. Yu Fang Jing (郁昉瑾女士)	12A Water Street Wahroonga New South Wales 2076 Australia	Australian

SUPERVISORS

Name	Address	Nationality
Mr. Gu Liang (顧亮先生)	No. 1506, Xiejin Village Sanxing Town Chongming District Shanghai, PRC	Chinese
Ms. Xu Na (許娜女士)	Room 804, Building 8 Lane 435, Yantietang Road Minhang District Shanghai, PRC	Chinese
Ms. Chen Fangfang (陳芳芳女士)	Room 1001, No. 3 Lane 880, East Tiyuhui Road Hongkou District Shanghai, PRC	Chinese

For details with respect to our Directors and Supervisors, see the section headed "Directors, Supervisors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors ***(in alphabetical order)***

CITIC Securities (Hong Kong) Limited
18/F, One Pacific Place
88 Queensway
Hong Kong

Haitong International Capital Limited
Suites 3001-3006 and 3015-3016
One International Finance Centre
No. 1 Harbour View Street
Central, Hong Kong

Orient Capital (Hong Kong) Limited
28/F-29/F
100 Queen's Road Central
Central, Hong Kong

[REDACTED]

[REDACTED]

Legal Advisors to our Company	*As to Hong Kong law and U.S. law* **Clifford Chance** 27th Floor, Jardine House 1 Connaught Place 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 law and U.S. law* **Freshfields Bruckhaus Deringer** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong *As to PRC law* **JunHe LLP** 26/F, HKRI Centre One HKRI Taikoo Hui 288 Shimen Road (No. 1) Shanghai, PRC
Reporting Accountants and Independent 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** 10/F, Block B, Jing'an International Center 88 Puji Road, Jing'an District Shanghai, PRC

[REDACTED]

CORPORATE INFORMATION

Registered Office	Room 124, 1/F No. 28 Shenpujing Road Zhujing Town, Jinshan District Shanghai, PRC
Headquarters and Principal Place of Business in the PRC	5/F, Building A Helen Center, Financial Street 440 Helen Road, Hongkou District Shanghai, PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.hsay.com** *(The information contained in this website does not form part of this document)*
Joint Company Secretaries	Ms. Wang Juan (王娟女士) 5/F, Building A Helen Center, Financial Street 440 Helen Road, Hongkou District Shanghai, PRC Ms. Yu Anne (余安妮女士) *(member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom)* 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. Shan Weijun (單衛鈞先生) Room 2801, No. 2 Lane 168, Xingye Road Huangpu District Shanghai, PRC Ms. Yu Anne (余安妮女士) 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Chung Chong Sun (鍾創新先生) *(Chairperson)* Mr. Han Ding-Gwo (韓定國先生) Ms. Yu Fang Jing (郁昉瑾女士)
Remuneration Committee	Mr. Han Ding-Gwo (韓定國先生) *(Chairperson)* Ms. Yu Fang Jing (郁昉瑾女士) Mr. Shan Weijun (單衛鈞先生)
Nomination Committee	Mr. Shan Weijun (單衛鈞先生) *(Chairperson)* Mr. Chung Chong Sun (鍾創新先生) Ms. Yu Fang Jing (郁昉瑾女士)
Compliance Advisor	Haitong International Capital Limited
	[REDACTED]
Principal Banks	**China Construction Bank** **Shanghai Linping Road Branch** No.12 North Linping Road Hongkou District Shanghai, PRC
	China Merchants Bank **Shanghai North Bund Branch** No. 501 Dongdaming Road Hongkou District Shanghai, PRC

OVERVIEW

We are a leading and fast-growing freshly-made beverage company, operating the fourth largest network of freshly-made tea shops in China as of September 30, 2023 according to CIC, with extensive reach into the lower-tier markets. Our history can be traced back to 2013 when Mr. Shan and Ms. Zhou, our co-founders, launched the first *Auntea Jenny* store in Shanghai. In 2023, our Company was converted into a joint stock company with limited liability and was renamed as Auntea Jenny (Shanghai) Industrial Co., Ltd. (滬上阿姨(上海)實業股份有限公司).

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Milestone
2013	Our first *Auntea Jenny* store was launched in Shanghai with "grainy milk tea" (五穀奶茶)
2015	The number of our *Auntea Jenny* stores exceeded 200
2019	We began to offer fresh fruit tea
2020	We completed Series A Financing
2021	We completed Series A+ Financing
2022	The number of our *Auntea Jenny* stores exceeded 5,000
	We were awarded 2022 Consumer Favorite Brand (2022年度消費者喜愛品牌) issued by China Brand Boao Summit (中國品牌博鰲峰會)
	We ranked Top 3 Catering Brand Store Growth for 2021-2022 (年度餐飲品牌門店增長Top 3) by Canyandata (窄門餐眼)
	We expanded our product offerings to launch stores under the *Jenny x Coffee*

Year	Milestone
2023	The number of our *Auntea Jenny* stores exceeded 7,200
	We ranked fourth in China's freshly-made tea shop market in terms of system-wide store count as of September 30, 2023 and in terms of GMV in the nine months ended September 30, 2023 according to CIC
	We expanded our product offerings to launch stores under the *Version Lite*
	We completed Series B Financing
	We were awarded the most influential brand of the year (年度最具影響力品牌獎) issued by Meituan (美團)
2024	We completed Series C Financing

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY

(1) Establishment of our Company

On November 8, 2013, our Company was established as a limited liability company under the laws of the PRC, with an initial registered capital of RMB500,000 held by Ms. Zhou and Mr. Shan as to 51.00% and 49.00%, respectively.

Upon completion of a series of registered capital increases and equity transfers between Mr. Shan and Ms. Zhou from February 2015 to July 2018, the shareholding structure of our Company was as follows:

Shareholders	Registered capital subscribed for	Percentage of shareholding
	(RMB)	*(%)*
Ms. Zhou	8,000,000	80.00
Mr. Shan	2,000,000	20.00
Total	**10,000,000**	**100.00**

(2) Equity Transfers in October 2018 and April 2020

In October 2018, Mr. Shan transferred the registered capital of our Company of RMB1,500,000 (representing 15.00% of the shareholding of the Company) to Shanghai Yuchao, an employee incentive platform which has been ultimately controlled by Mr.

Shan, at nil consideration as the respective registered capital of our Company was not paid as of the date of such transfer.

In October 2018, Ms. Zhou transferred the registered capital of our Company of RMB5,500,000 and RMB500,000 (representing 55.00% and 5.00% of the shareholding of the Company) to Shanghai Puhai and Shanghai Senrui at nil consideration, respectively, as the respective registered capital of our Company was not paid as of the date of such transfer.

In April 2020, Mr. Shan further transferred the registered capital of our Company of RMB500,000 to Shanghai Yuchao at a consideration of RMB100,000, which was determined corresponding to the then paid-up capital of the Company, and Ms. Zhou transferred the registered capital of our Company of RMB2,000,000 to Shanghai Senrui at nil consideration, as the respective registered capital of our Company was not paid as of the date of such transfer.

Shanghai Puhai is a shareholding platform of the Company which was owned by Mr. Shan and Ms. Zhou as to 20.00% and 80.00% as of the Latest Practicable Date.

Shanghai Senrui was owned as to 51.00% by Mr. Shan and 49.00% by Ms. Zhou at the time of its establishment. In August 2018, in order to reward the historical contribution of Mr. Chen Zhixin (陳志新) ("**Mr. Chen**") to the Group as a consultant as of August 2018, the Company agreed to grant Mr. Chen share options, pursuant to which Mr. Chen is entitled to acquire 5.00% of the shareholding (equivalent to RMB500,000.000 registered share capital) of the Company at a consideration of RMB500,000 from Mr. Shan. From September 2021 to December 2021, Mr. Chen fully exercised such share options through Shanghai Senrui by acquiring 20% partnership interest in Shanghai Senrui, equivalent to RMB500,000.000 registered share capital of the Company, from Mr. Shan at a consideration of RMB500,000.

Upon completion of above equity transfers, the shareholding structure of our Company was as follows:

Shareholders	**Registered capital subscribed for**	**Percentage of shareholding**
	(RMB)	*(%)*
Shanghai Puhai	5,500,000	55.00
Shanghai Senrui	2,500,000	25.00
Shanghai Yuchao	2,000,000	20.00
Total	**10,000,000**	**100.00**

(3) Series A Financing and Series A+ Financing

We have completed Series A Financing and Series A+ Financing in November 2020 and October 2021 through capital increases, pursuant to which Suzhou Yizhong Venture Capital Partnership (Limited Partnership) (蘇州宜仲創業投資合夥企業(有限合夥)) ("**Suzhou Yizhong**", the "**Series A Investor**" and "**the Series A+ Investor**") subscribed for an increased registered capital of RMB689,869 and RMB206,248 at a consideration of RMB75,000,000 and RMB53,000,000 respectively. For further details, see "— Pre-[**REDACTED**] Investments" below. As a result, the registered capital of our Company was increased to RMB10,896,117.

Upon completion of the Series A Financing and Series A+ Financing, the shareholding structure of our Company was as follows:

Shareholders	Registered capital subscribed for	Percentage of shareholding
	(RMB)	*(%)*
Shanghai Puhai	5,500,000	50.48
Shanghai Senrui	2,500,000	22.94
Shanghai Yuchao	2,000,000	18.36
Suzhou Yizhong	896,117	8.22
Total	**10,896,117**	**100.00**

(4) Capital Increase and Equity Transfer in July 2023 and Series B Financing

In July 2023, each of Shanghai Yuhong Enterprise Management Partnership (Limited Partnership) (上海禹翃企業管理合夥企業(有限合夥)) ("**Shanghai Yuhong**") and Shanghai Yuyun Enterprise Management Partnership (Limited Partnership) (上海禹鋆企業管理合夥企業(有限合夥)) ("**Shanghai Yuyun**"), as an employee incentive platform, each subscribed for an increased registered capital of our Company of RMB168,497 at a consideration of RMB168,497, respectively, which was determined after arms' length negotiations among the parties with reference to the par value of the registered capital increased.

On the even date, to maintain the shareholding percentage of Suzhou Yizhong in our Company immediately before and after the completion of capital increases by Shanghai Yuyun and Shanghai Yuhong as described above, Suzhou Yizhong acquired the registered capital of our Company of RMB27,715 from Shanghai Puhai at nil consideration.

We have also completed the Series B Financing in July 2023 through capital increases and equity transfers with investors as detailed below (the "**Series B Investors**"). For further details, see "— Pre-[**REDACTED**] Investments" below. As a result, the registered capital of our Company was increased to RMB11,620,661.

Subscribers	Registered capital subscribed for/acquired	Transferor	Consideration
	(RMB)		*(RMB)*
Series B Financing			
Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) (珠海金鎰銘股權投資基金合夥企業(有限合夥)) ("**Jinyi Capital**")	168,500 162,689	N/A Shanghai Senrui	58,000,000 42,000,000
Suzhou Xiangzhong Venture Capital Partnership (Limited Partnership) (蘇州祥仲創業投資合夥企業(有限合夥)) ("**Suzhou Xiangzhong**")	67,400 65,076	N/A Shanghai Senrui	23,200,000 16,800,000
Zhuhai Hengqin Zhiyi Qianrui Investment Partnership (Limited Partnership) (珠海橫琴知壹乾睿投資合夥企業(有限合夥)) ("**InnoVision Capital**")	50,550 48,807	N/A Shanghai Senrui	17,400,000 12,600,000
Beijing Desai Innovation Equity Investment Center (Limited Partnership) (北京德賽創新股權投資中心(有限合夥)) ("**Desai Innovation**")	50,550 48,807	N/A Shanghai Senrui	17,400,000 12,600,000
Shanghai Shibei Hi-tech Venture Capital Partnership (Limited Partnership) (上海市北高新創業投資合夥企業(有限合夥)) ("**Shibei Hi-tech**")	31,172 30,098	N/A Shanghai Senrui	10,730,000 7,770,000
Nanjing Xiangzhong Venture Capital Partnership (Limited Partnership) (南京祥仲創業投資合夥企業(有限合夥)) ("**Nanjing Xiangzhong**")	16,850 16,269	N/A Shanghai Senrui	5,800,000 4,200,000
Shanghai Yiyu Investment Consulting Co., Ltd. (上海頤玉投資諮詢有限責任公司) ("**Yiyu Consulting**")	2,528 2,440	N/A Shanghai Senrui	870,000 630,000

Upon completion of above capital increases, equity transfers and the Series B Financing, our shareholding structure was as follows:

Shareholders	Registered capital subscribed for	Percentage of shareholding
	(RMB)	*(%)*
Shanghai Puhai	5,472,285	47.09
Shanghai Senrui	2,125,814	18.29
Shanghai Yuchao	2,000,000	17.21
Suzhou Yizhong	923,832	7.95
Jinyi Capital	331,189	2.85
Shanghai Yuhong	168,497	1.45
Shanghai Yuyun	168,497	1.45
Suzhou Xiangzhong	132,476	1.14
InnoVision Capital	99,357	0.86
Desai Innovation	99,357	0.86
Shibei Hi-tech	61,270	0.53
Nanjing Xiangzhong	33,119	0.29
Yiyu Consulting	4,968	0.04
Total	**11,620,661**	**100.00**

(5) Conversion into a Joint Stock Limited Company in November 2023

On November 3, 2023, our Shareholders' resolutions approved, among other matters, the conversion of our Company from a limited liability company into a joint stock limited company and the change of name of our Company from Shanghai Zhenjing Industrial Co., Ltd. (上海臻敬實業有限公司) to Auntea Jenny (Shanghai) Industrial Co., Ltd. (滬上阿姨(上海)實業股份有限公司). Pursuant to the promoters' agreement dated November 3, 2023 entered into by all the then Shareholders, all promoters approved the conversion of the net assets value of our Company as of July 31, 2023 into 100,000,000 Shares of our Company with a nominal value of RMB1.00 each.

On November 8, 2023 our Company convened the inaugural meeting and passed relevant resolutions approving the conversion of our Company into a joint stock limited company, the articles of association of the Company and the relevant procedures. Upon completion of the conversion, the registered capital of our Company became RMB100,000,000 divided into 100,000,000 Shares with a nominal value of RMB1.00 each, which were subscribed by all the then Shareholders in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on November 24, 2023 when our Company obtained a new business license. Immediately following the conversion, our shareholding structure was as follows:

Shareholders	**Registered capital subscribed for**	**Percentage of shareholding**
	(RMB)	*(%)*
Shanghai Puhai	47,090,996	47.09
Shanghai Senrui	18,293,400	18.29
Shanghai Yuchao	17,210,725	17.21
Suzhou Yizhong	7,949,909	7.95
Jinyi Capital	2,850,001	2.85
Shanghai Yuhong	1,449,978	1.45
Shanghai Yuyun	1,449,978	1.45
Suzhou Xiangzhong	1,140,004	1.14
InnoVision Capital	855,003	0.86
Desai Innovation	855,003	0.86
Shibei Hi-tech	527,251	0.53
Nanjing Xiangzhong	285,001	0.29
Yiyu Consulting	42,751	0.04
Total	**100,000,000**	**100.00**

(6) Series C Financing

We completed the Series C Financing in February 2024 through capital increases, pursuant to which Guangzhou Hanshuai Venture Capital Partnership (Limited Partnership) (廣州瀚率創業投資合夥企業(有限合夥)) ("**Hanshuai Investment**"), Gongqingcheng Jinxiao Venture Capital Partnership (Limited Partnership) (共青城金鴞創業投資合夥企業(有限合夥)) ("**Jinxiao Investment**"), Shanghai Yipu Enterprise Management Co., Ltd. (上海一僕企業管理有限公司) ("**Shanghai Yipu**") and Xiamen Yinlin Equity Investment Partnership (Limited Partnership) (廈門銀麟股權投資合夥企業(有限合夥)) ("**Yinlin Investment**" (, together with Hanshuai Investment, Jinxiao Investment and Shanghai Yipu, the "**Series C Investors**")) subscribed for an increased registered capital of RMB1,000,000, RMB770,000, RMB500,000 and RMB160,000 of the Company at a consideration of RMB50 million, RMB38.50 million, RMB25 million and RMB8 million, respectively. For further details, see "— Pre-[**REDACTED**] Investments" below. As a result, the share capital of our Company was increased to RMB102,430,000. Upon completion of the Series C Financing, the shareholding structure was as follows:

Shareholders	Registered capital subscribed for	Percentage of shareholding
	(RMB)	*(%)*
Shanghai Puhai	47,090,996	45.97
Shanghai Senrui	18,293,400	17.86
Shanghai Yuchao	17,210,725	16.80
Suzhou Yizhong	7,949,909	7.76
Jinyi Capital	2,850,001	2.78
Shanghai Yuhong	1,449,978	1.42
Shanghai Yuyun	1,449,978	1.42
Suzhou Xiangzhong	1,140,004	1.11
Hanshuai Investment	1,000,000	0.98
InnoVision Capital	855,003	0.83
Desai Innovation	855,003	0.83
Jinxiao Investment	770,000	0.75
Shibei Hi-tech	527,251	0.51
Shanghai Yipu	500,000	0.49
Nanjing Xianghzong	285,001	0.28
Yinlin Investment	160,000	0.16
Yiyu Consulting	42,751	0.04
Total	**102,430,000**	**100.00**

THE CONCERT PARTY GROUP

On September 25, 2023, Mr. Shan and Ms. Zhou entered into a concert party agreement, pursuant to which Mr. Shan and Ms. Zhou have agreed and confirmed that the Company have been jointly controlled by them since its establishment and they have acted in concert since the establishment of the Company and will continue, and shall procure entities under their control which directly hold Shares in our Company, to act in concert in respect of the management and operations of our Company. Pursuant to the act in concert arrangements, Mr. Shan and Ms. Zhou have consulted and would consult with each other to reach a unanimous consensus among themselves at the general meetings of the Company. In the event that they are unable to reach consensus on any matter presented, they have aligned and will continue to align their votes in accordance with Mr. Shan's decisions at the general meetings of the Company.

OUR MAJOR SUBSIDIARIES

As of the Latest Practicable Date, our Company carried out our business through our Company and our operating subsidiaries in the PRC. Set out below is the corporate information of our major subsidiaries that made a material contribution to our performance during the Track Record Period:

Name of subsidiary	Principal business	Date of establishment	Place of establishment	Share Capital	Percentage of equity interest held by our Company
Shanghai Senying ...	Catering management	June 8, 2017	PRC	RMB15 million	100%
Shanghai Pangjia ...	Supply chain management and e-commerce retail	April 9, 2021	PRC	RMB1 million	100%
Shanghai Ruizhong ..	Supply chain management	December 29, 2020	PRC	RMB20 million	100%
Zhejiang Senyi	Raw material production	June 23, 2021	PRC	RMB50 million	100%

PRE-[REDACTED] INVESTMENTS

Overview

Our Company conducted several rounds of financing with the Pre-[**REDACTED**] Investors. For further details, see the subsection headed "Establishment and Development of Our Company" in this section.

The following table summarizes the key terms of the Pre-[**REDACTED**] Investments to our Company made by the Pre-[**REDACTED**] Investors:

	Series A	Series A+	Series B	Series C
Amount of registered capital subscribed for/acquired *(RMB)* ..	689,869	206,248	761,736	2,430,000
Amount of consideration paid *(RMB)*	75,000,000	53,000,000	230,000,000(3)	121,500,000

	Series A	**Series A+**	**Series B**	**Series C**
Date of agreements	September 29, 2020	September 9, 2021	July 25, 2023	January 29, 2024
Date of payment in full	September 29, 2020	September 10, 2021	July 28, 2023	February 9, 2024
Consideration Cost per Share(1) *(RMB)* ...	11.96	28.28	34.26	50.00
Discount to the [REDACTED] (approximation)(2) ...	[REDACTED]%	[REDACTED]%	[REDACTED]%	[REDACTED]%

Notes:

(1) Having taken into account our conversion into a joint stock limited company in November 2023.

(2) Calculated based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per H Share (being the mid-point of the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]**).

(3) The amount of consideration paid under Series B Financing comprises of capital increases and equity transfers.

Principal terms of the Pre-[REDACTED] Investments and Pre-[REDACTED] Investors' Rights

The table below sets forth the other principal terms of the Pre-**[REDACTED]** Investments:

Use of [REDACTED] from the Pre-[REDACTED] Investments	We utilized the **[REDACTED]** from the Pre-**[REDACTED]** Investments for the principal business of our Group, including but not limited to growth and expansion of our Group's business and supply chain and the general working capital purposes. As of the Latest Practicable Date, approximately 74.66% of the funds raised from the Pre-**[REDACTED]** Investments have been utilized.
Basis of determination of the consideration	The considerations for each round of Pre-**[REDACTED]** Investments were determined based on arm's length negotiation amongst the respective Pre-**[REDACTED]** Investors and our Group after taking into consideration of the timing of the investments, the status of our business operations and the prospects of the Company.

Lock-up Period	The Pre-[**REDACTED**] Investors are not subject to any contractual lock-up arrangement pursuant to the terms of respective Pre-[**REDACTED**] Investments. Pursuant to the applicable PRC law, within the 12 months following the [**REDACTED**], all existing Shareholders (including the Pre-[**REDACTED**] Investors) cannot dispose of any of the Shares held by them.
Special Rights of the Pre-[REDACTED] Investors	In connection with the pre-[**REDACTED**] investments, certain Pre-[**REDACTED**] Investors had been granted certain special rights against our Company including, among others, (i) pre-emptive right, (ii) information rights, and (iii) most favorable treatment; and certain special rights against our Controlling Shareholders, including, among others, (i) anti-dilution rights, (ii) redemption rights, (iii) pre-emptive right, (iv) right of first refusal and co-sale, (v) most favorable treatment, and (vi) liquidation preferences. Pursuant to the supplemental agreement to the shareholders' agreement entered into among our Company, our Controlling Shareholders, the Series A Investor, the Series A+ Investor and the Series B Investors dated October 10, 2023 and the shareholders' agreement entered into among our Company, our controlling shareholders and the Pre-[**REDACTED**] Investors dated February 9, 2024, the redemption rights against our Controlling Shareholders were terminated upon our Company's submission of [**REDACTED**] to the Stock Exchange for its [**REDACTED**] of H Shares on the Stock Exchange, provided that the rights so terminated shall resume automatically in certain circumstances, including: (i) the Company fails to complete the [**REDACTED**] within 24 months after the submission of the [**REDACTED**] to the Stock Exchange or before March 31, 2026, and (ii) the withdrawal of the [**REDACTED**] or the Stock Exchange, SFC or CSRC (if applicable) rejecting the Company's [**REDACTED**] and the Company fails to re-file its [**REDACTED**] to the Stock Exchange within six months afterwards. The other special rights shall cease to be effective and be discontinued upon [**REDACTED**].

Strategic Benefits from Pre-[REDACTED] Investments

At the time of the Pre-[**REDACTED**] Investments, our Directors were of the view that our Company would benefit from the additional capital provided by the Pre-[**REDACTED**] Investors' investments in our Company, insights for industry, advice on business expansion or strategic direction that the Pre-[**REDACTED**] Investors may bring to our Company.

Our Directors are also of the view that the Pre-[**REDACTED**] Investors' investments in our Company demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the Pre-[**REDACTED**] Investments was irrevocably settled no less than 120 clear days before the [**REDACTED**]; and (ii) the special rights granted to the Pre-[**REDACTED**] Investors shall cease to be effective and be discontinued upon the [**REDACTED**] (save for the redemption rights against the Controlling Shareholders as described above), the Joint Sponsors confirm that the Pre-[**REDACTED**] Investments are in compliance with the guidance in chapter 4.2 of the Guide for New Listing Applicants issued by the Stock Exchange effective from January 1, 2024.

Information about our Pre-[REDACTED] Investors

Set out below is a description of our Pre-[**REDACTED**] Investors as of date of the document, most of them being private equity funds and strategic investment corporations, which have made meaningful investments in our Company. Each of the following Pre-[**REDACTED**] Investors is an Independent Third Party.

Suzhou Yizhong

Suzhou Yizhong is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Suzhou Yizhong is owned as to 0.55% by Suzhou Hongwei Xinli Investment Management Co., Ltd. (蘇州宏維新力投資管理有限公司), an Independent Third Party, as its general partner and 99.45% by Independent Third Parties as its limited partners. Suzhou Yizhong is managed by Suzhou Weitelixin Venture Capital Management Co., Ltd. (蘇州維特力新創業投資管理有限公司) ("**Suzhou Weitelixin**"), which is ultimately controlled by Mr. Wei Zhe, an Independent Third Party.

Suzhou Xiangzhong

Suzhou Xiangzhong is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Suzhou Xiangzhong is owned as to i) 2.19% by Taicang Weizhong Investment Management Co., Ltd. (太倉維仲投資管理有限公司) ("**Taicang Weizhong**"), an Independent Third Party, as its general partner, ii) 0.68% by Shanghai Pangzhen Enterprise Management Partnership (Limited Partnership) (上海龐臻企業管理合夥企業(有限合夥)), a shareholding platform which is wholly owned by our co-founders, as its limited partner, and iii) 97.12% by Independent Third Parties as its limited partners. Suzhou Xiangzhong is managed by Suzhou Weitelixin, which is ultimately controlled by Mr. Wei Zhe, an Independent Third Party. Portfolio companies held under Suzhou Xiangzhong include Chengdu Yummy Snack Commercial Management Co., Ltd. (成都零食有鳴商業管理有限公司), Nanjing Borderless Catering Management Co., Ltd. (南京無邊界餐飲管理有限公司), Evirth (Shanghai) Industrial Co., Ltd. (恩喜村(上海)實業有限公司) and Enoulite Holding Group Co., Ltd. (英氏控股集團股份有限公司).

Nanjing Xiangzhong

Nanjing Xiangzhong is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Nanjing Xiangzhong is owned as to 4.11% by Taicang Weizhong, an Independent Third Party, as its general partner and 95.89% by Independent Third Parties as its limited partners. Nanjing Xiangzhong is managed by Suzhou Weitelixin, which is ultimately controlled by Mr. Wei Zhe, an Independent Third Party.

Jinyi Capital

Jinyi Capital is a private equity investment fund limited partnership established under the laws of the PRC and its general partner is Zhuhai Jinyiheng Enterprise Management Partnership (Limited Partnership) (珠海金鎰衡企業管理合夥企業(有限合夥)) ("**Zhuhai Jinyiheng**"). The general partner of Zhuhai Jinyiheng is Zhuhai Jinyifeng Enterprise Management Co., Ltd. (珠海金鎰豐企業管理有限公司), which is a wholly-owned subsidiary of Jinyi (Zhuhai) Equity Investment Management Co., Ltd. (金鎰(珠海)股權投資管理有限公司) ("**Jinyi Zhuhai**"). Jinyi Zhuhai, being the fund manager of Jinyi Capital and a registered private fund manager under the relevant PRC laws, is ultimately controlled by Mr. Song Xiaowei (宋曉威) and Mr. Li Shuai (李帥), each of whom is an Independent Third Party. Jinyi Zhuhai primarily invests in growth enterprises in the area of "technological innovation" and "technology-driven lifestyle" in the PRC.

InnoVision Capital

InnoVision Capital is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. InnoVision Capital is owned as to 3.94% by Zhuhai Zhiyi Huaxin Private Equity Fund Management Co., Ltd. (珠海知一華新私募基金管理有限公司) ("**Zhiyi Huaxin**") as its general partner, which in turn is ultimately controlled by Mr. Zhao Fu (趙福) and 96.06% by its limited partners, each of whom is an Independent Third Party.

Desai Innovation

Desai Innovation is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Desai Innovation is owned as to 0.125% by Beijing Desai Innovation Enterprise Management Center (Limited Partnership) (北京德賽創新企業管理中心(有限合夥)) ("**Beijing Desai**"), an Independent Third Party, as its general partner, and 99.875% by Peking University Education Foundation (北京大學教育基金會), an Independent Third Party. Beijing Desai is managed by Shanghai Yimei Private Equity Fund Management Partnership (Limited Partnership) (上海熠美私募基金管理合夥企業(有限合夥)) ("**Shanghai Yimei**") which engages in primary and direct investments, covering healthcare, consumer, education, TMT and advanced manufacturing. Portfolio companies held under Shanghai Yimei include GDS Holdings Limited (萬國數據控股有限公司) (stock ticker/code: GDS (NASDAQ), 9698 (HKSE)) and Wuxi Lead Intelligent Equipment Co., Ltd. (無錫先導智能裝備股份有限公司) (stock code: 300450).

Shibei Hi-tech

Shibei Hi-tech is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Shibei Hi-tech is owned as to approximately 0.89% by Shanghai Yibei Venture Capital Investment Management Partnership (Limited Partnership) (上海熠北創業投資管理合夥企業(有限合夥)) ("**Yibei Venture Capital**"), an Independent Third Party, as its general partner, and approximately 99.11% by Independent Third Parties, as its limited partners. Shibei Hi-tech is managed by Shanghai Yimei.

Yiyu Consulting

Yiyu Consulting is a limited liability company established under the laws of the PRC and is principally engaged in equity investment. Yiyu Consulting is owned by Weng Jinghua (翁菁華) and Hong Yuchen (洪雨辰) as to 90% and 10%, respectively. Each of Weng Jinghua and Hong Yuchen is an Independent Third Party.

Hanshuai Investment

Hanshuai Investment is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Hanshuai Investment is owned as to approximately 0.10% by Guangzhou Hanhui Investment Management Co., Ltd. (廣州市瀚暉創業投資管理有限公司) as its general partner, which is ultimately controlled by Lai Chuankun (賴傳錕), and 99.90% by Tibet Wuseshui Venture Capital Management Co., Ltd. (西藏五色水創業投資管理有限公司), which is owned by Liu Xinrong (柳新榮) and Tang Zhengqing (唐正青) as to 80% and 20%, as its limited partners. Each of them is an Independent Third Party.

Jinxiao Investment

Jinxiao Investment is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Jinxiao Investment is owned as to approximately 2.41% by Beijing Fangyuan Jinding Investment Management Co., Ltd. (北京方圓金鼎投資管理有限公司) ("**Jinding Investment**") as its general partner which in turn is ultimately controlled by He Fuchang (何富昌), and approximately 97.59% by its limited partners. Each of them is an Independent Third Party.

Yinlin Investment

Yinlin Investment is a limited partnership established under the laws of the PRC and is principally engaged in equity investment. Yinlin Investment is owned as to approximately 1% by Jinding Investment as its general partner, which in turn is ultimately controlled by He Fuchang (何富昌), and approximately 99% by its limited partners. Each of them is an Independent Third Party. Portfolio companies held under Yinlin Investment include Xiamen Wanpisi Food Technology Co., Ltd. (廈門萬皮思食品科技有限公司), Nanjing Wanzhongdao E-commerce Co., Ltd. (南京萬眾島電子商務有限公司), Shanghai Yuanxing Enterprise Management Co., Ltd. (上海元星企業管理有限公司).

Shanghai Yipu

Shanghai Yipu is a limited liability company established under the laws of PRC and is principally engaged in equity investment. Shanghai Yipu is wholly owned by Shanghai Hi-Road Food Technology Co., Ltd. (上海海融食品科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300915), an Independent Third Party.

PUBLIC FLOAT

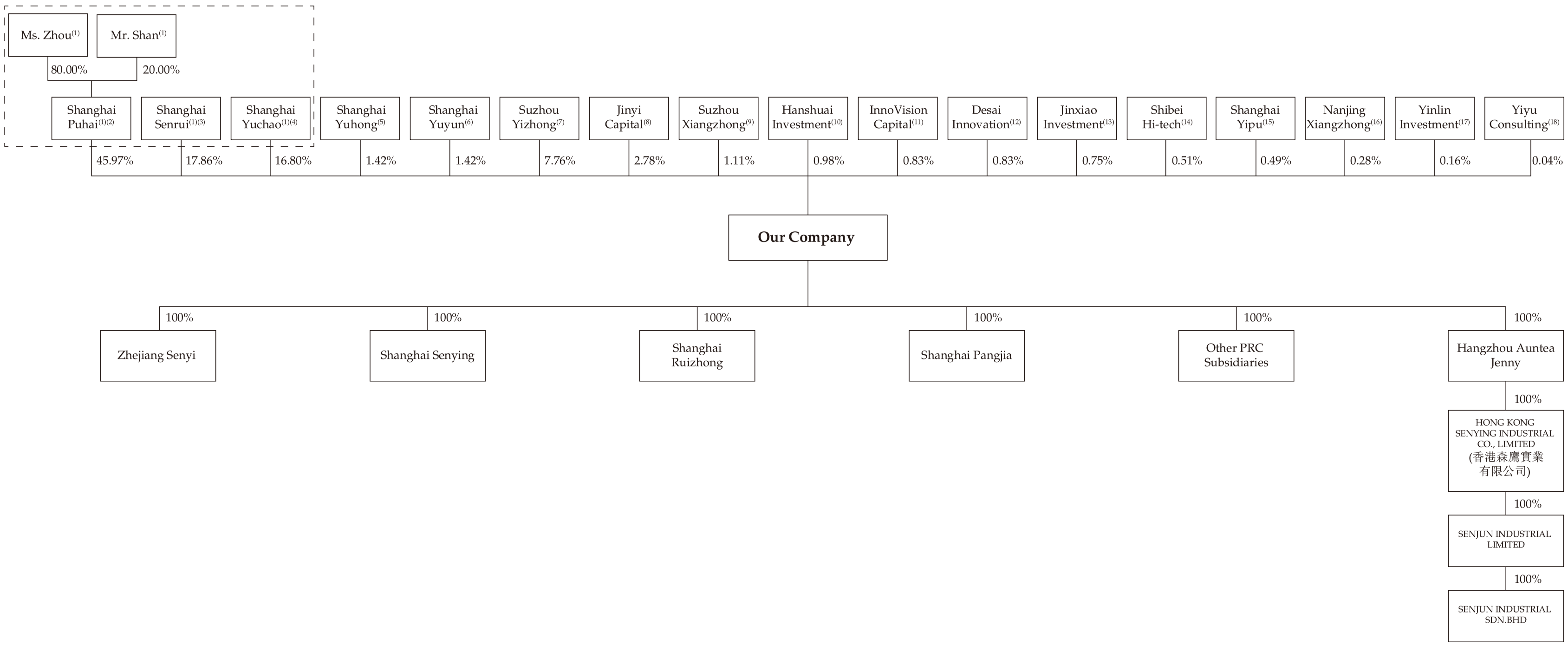
To the best knowledge, information and belief of our Directors, none of the Pre-[**REDACTED**] Investors is a core connected person (as defined under the Listing Rules) of our Company. The [**REDACTED**] H Shares to be held by Pre-[**REDACTED**] Investors which [have filed] for conversion of their Domestic [**REDACTED**] Shares to H Shares, representing approximately [**REDACTED**]% of our total issued share capital immediately before completion of the [**REDACTED**], or approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised) will be counted towards the public float upon [**REDACTED**]. Taking into consideration of the H Shares to be issued pursuant to the [**REDACTED**], the public float of the Company will be [**REDACTED**]% upon [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that the aforesaid capital increases and equity transfers have complied with all applicable PRC laws and regulations in all material respects.

CORPORATE STRUCTURE IMMEDIATELY BEFORE COMPLETION OF THE [REDACTED]

The chart below sets out the simplified shareholding structure of our Company immediately before completion of the **[REDACTED]**:



Notes:

(1) On September 25, 2023, Mr. Shan and Ms. Zhou entered into a concert party agreement, pursuant to which Mr. Shan and Ms. Zhou have agreed and confirmed that the Company have been jointly controlled by them since its establishment and they have acted in concert since the establishment of the Company and will continue, and shall procure entities under their control which directly hold Shares in our Company, to act in concert in respect of the management and operations of our Company. Pursuant to the act in concert arrangements, Mr. Shan and Ms. Zhou have consulted and would consult with each other to reach a unanimous consensus among themselves at the general meetings of the Company. In the event that they are unable to reach consensus on any matter presented, they have aligned and will continue to align their votes in accordance with Mr. Shan's decisions at the general meetings of the Company. See "Relationship with Our Controlling shareholders" for further details.

(2) As of the Latest Practicable Date, Shanghai Puhai was owned as to 80.00% by Ms. Zhou and 20.00% by Mr. Shan.

(3) As of the Latest Practicable Date, Shanghai Senrui was owned as to i) 44.67% by Mr. Shan as its sole general partner and ii) 45.49% and 9.84% by Ms. Zhou and Mr. Chen as its limited partners.

(4) As of the Latest Practicable Date, Shanghai Yuchao, an employee incentive platform, was owned as to approximately i) 37.85% by Mr. Shan as its sole general partner; ii) 41.63% by Ms. Zhou as its limited partner and iii) 20.52% by 36 individuals who are current employees of our Company as its limited partners. As of the Latest Practicable Date, other than Mr. Shan, Ms. Zhou, Yan Yiqing (嚴一清, a former director of the Company who resigned within 12 months prior to the [**REDACTED**] and a current employee of the Company), Zhou Tianmu (周天牧), Wang Jiaxing (汪加興), Gu Liang (顧亮), Xu Na (許娜) and Chen Fangfang (陳芳芳), each of the partners of Shanghai Yuchao is an Independent Third Party.

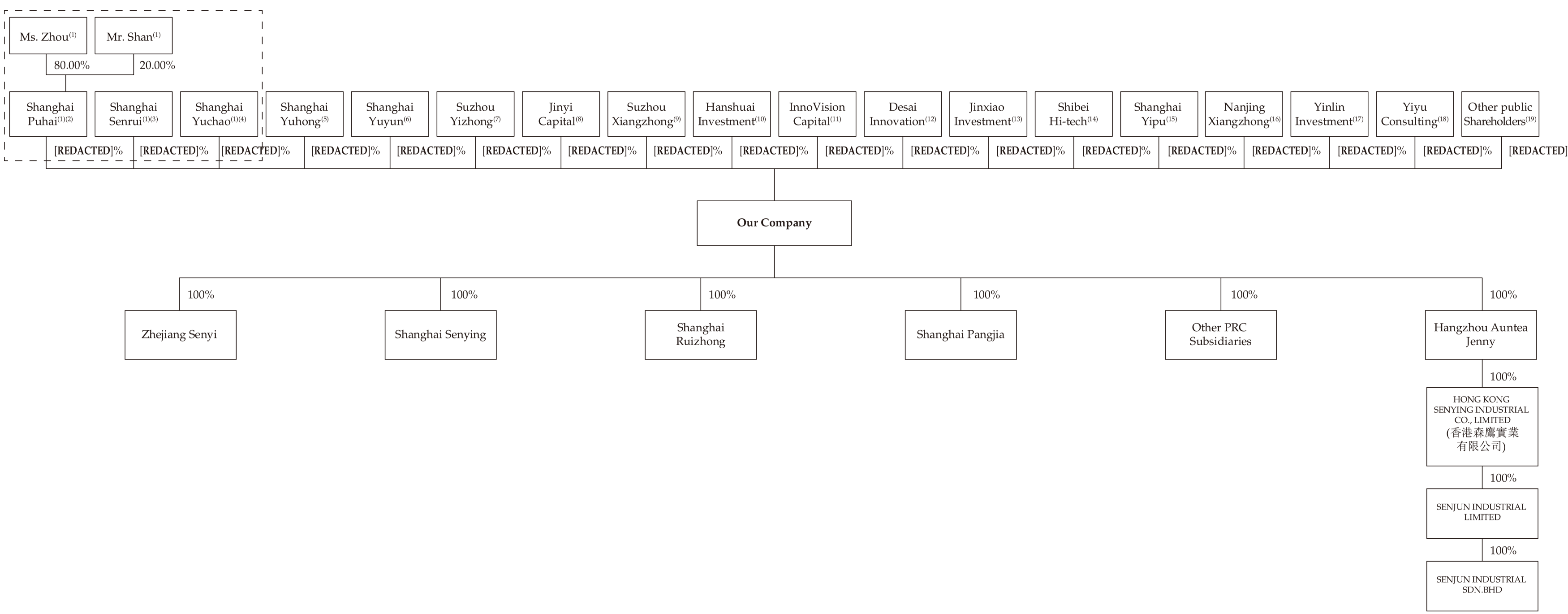
(5) As of the Latest Practicable Date, Shanghai Yuhong, an employee incentive platform, was owned as to i) 9.27% by Wang Hong (王泓) as its sole general partner and ii) 90.73% by 35 individuals as its limited partners. Each of the partners of Shanghai Yuhong is currently an employee of the Group and an Independent Third Party.

(6) As of the Latest Practicable Date, Shanghai Yuyun, an employee incentive platform, was owned as to i) 1.91% by Chen Qin (陳琴) as its sole general partner and ii) 98.09% by 39 individuals as its limited partners. Each of the partners of Shanghai Yuyun is currently an employee of the Group and an Independent Third Party.

(7)-(18) See "History, Development and Corporate Structure — Pre-[**REDACTED**] Investments" for further details.

CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE [REDACTED]

The chart below sets out the simplified shareholding structure of our Company immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):



Notes:

(1)-(18) Please refer to the notes under Corporate Structure Immediately Before Completion of the **[REDACTED]**.

(19) The Shares held by these other public Shareholders are H Shares, which will be counted towards the public float together with **[REDACTED]** H Shares to be converted from Domestic **[REDACTED]** Shares. See "Share Capital" for further details of the conversion of Domestic **[REDACTED]** Shares into H Shares.

The information and statistics presented in this section and other sections of this document, unless otherwise indicated, were extracted from different official government publications and other publications, and from the industry report prepared by CIC, an independent market research and consulting company that was commissioned by us, in connection with this **[REDACTED]**. *The information from official government sources has not been independently verified by us, the* **[REDACTED]**, *Joint Sponsors,* **[REDACTED]**, **[REDACTED]**, *any of the* **[REDACTED]**, *any of their respective directors and advisers, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy.*

SOURCE OF INFORMATION

China Insights Consultancy was commissioned to conduct research, provide an analysis of, and to produce a report on the freshly-made beverage market in China, and other related economic data. The commissioned report has been prepared by China Insights Consultancy independent of the influence of the Company and other interested parties. We have agreed to pay a fee of RMB720,800 to CIC in connection with the preparation of the CIC Report.

China Insights Consultancy provides industry consulting services, commercial due diligence, strategic consulting and so on. Its consultant team has been tracking the latest market trends in consumer goods and services, agriculture, chemicals, marketing and advertising, culture and entertainment, energy and industry, finance and services, healthcare, TMT, transportation, etc., and possesses the most relevant and insightful market intelligence regarding these industries.

CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics. The market projections in the commissioned report are based on the following key assumptions: (i) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trajectory during the forecast period; (iii) key industry drivers are likely to propel the freshly-made beverage market in China forward during the forecast period; and (iv) the market will not be dramatically or fundamentally affected by any extreme force majeure events or unforeseen industry regulations.

CHINA'S FRESHLY-MADE BEVERAGE MARKET

Definition and Categorization of Freshly-Made Beverage

Freshly-made beverage refers to a beverage that is made on-site and offered directly to consumers for immediate consumption. Freshly-made beverage encompasses a range of options, including freshly-made tea beverage, freshly-brewed coffee and other freshly-made beverage such as freshly-made yogurt and fresh juice.

Category	Definition
Freshly-made tea beverage	• A type of beverage prepared on-site combining tea with other ingredients such as dairy products, fruits, grains and toppings
Freshly-brewed coffee	• A type of beverage prepared on-site using ground coffee, coffee extracts or other coffee-centric ingredients
Other freshly-made beverages	• Drinks that use bases other than tea and coffee and are prepared and sold on-site, such as freshly-made yogurt and fresh juice

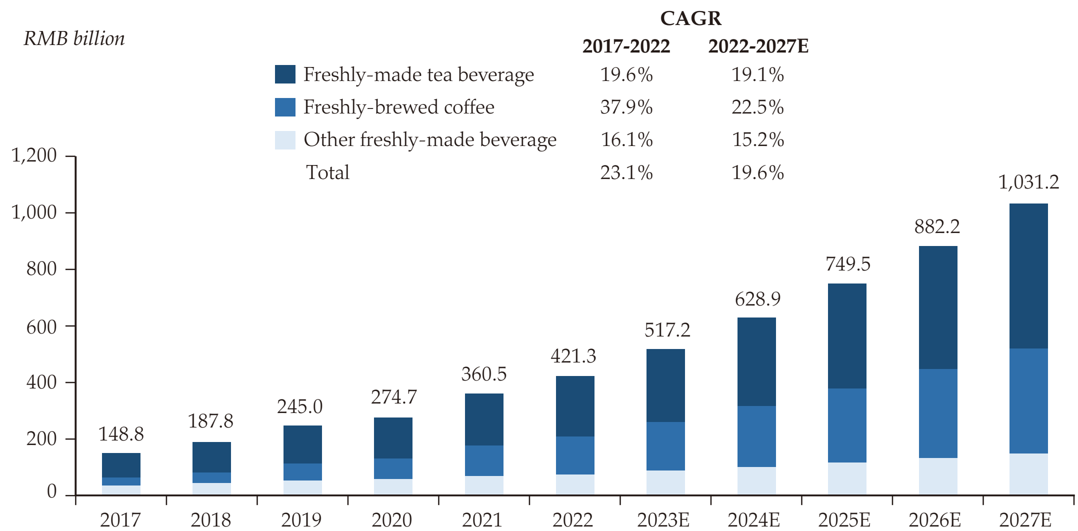
Market Size of Freshly-Made Beverage Market in China

The per capita disposable income in China has increased alongside economic growth in recent years. Consequently, the demand for personalized and diverse consumption has grown steadily. This has resulted in the expansion of high-quality consumer goods, including freshly-made beverages. China's freshly-made beverage market has maintained a rapid growth over the past five years with the market size in terms of GMV expanding from RMB148.8 billion in 2017 to RMB421.3 billion in 2022, representing a CAGR of 23.1%. In the next five years, the market size is projected to further grow at a CAGR of 19.6%, reaching RMB1,031.2 billion by 2027.

Among the segments within China's freshly-made beverage market, the freshly-made tea beverage market holds the largest share of 50.7% in terms of GMV in 2022. This is attributable to China's rich tea culture, the innovative applications of tea and its various consumption scenarios. China's freshly-made tea beverage market grew from RMB87.3 billion in 2017 to RMB213.7 billion in 2022, and is expected to further increase at a CAGR of 19.1% to reach RMB511.8 billion in 2027. Freshly-made tea shops are the predominant sales channel for freshly-made tea beverage in China.

Emerging as the fastest-growing segment in terms of GMV over the past five years, the freshly-brewed coffee market has witnessed remarkable expansion in China. Characterized by innovation and a variety of flavors, China's freshly-brewed coffee market has increased rapidly from RMB27.0 billion in 2017 to RMB134.8 billion in 2022, and is expected to further increase at a CAGR of 22.5% to reach RMB371.5 billion in 2027.

Market size of freshly-made beverage in terms of GMV, by category, China, 2017-2027E



	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
Freshly-made tea beverage	87.3	108.5	133.0	144.8	185.8	213.7	258.8	313.4	371.4	436.5	511.8
Freshly-brewed coffee	27.0	36.6	60.0	73.8	106.8	134.8	171.5	215.3	263.0	314.3	371.5
Other freshly-made beverage	34.5	42.7	52.0	56.1	67.9	72.8	86.9	100.2	115.1	131.4	147.9
Total	**148.8**	**187.8**	**245.0**	**274.7**	**360.5**	**421.3**	**517.2**	**628.9**	**749.5**	**882.2**	**1,031.2**

Sources: China Insights Consultancy

Market Drivers and Ongoing Trends of China's Freshly-Made Beverage Market

Expansion of chain shops and store standardization: The expansion of chain shops brings standardization of store operations, increasing the GMV per store. Chain shops facilitate the attainment of economies of scale, cost reduction and profit increment through streamlined supply chain management and procurement practices. The standardization of store operations ensures product quality consistency, enhancing the consumer purchase experience.

Formation of a habit to consume freshly-made beverage: Several interrelated factors have stimulated the consumption of freshly-made beverages: (i) it has become more convenient for consumers to enjoy freshly-made beverage, with a steady increase in the number of freshly-made beverage shops; (ii) young people, who are the main consumers of freshly-made beverage in China, have seen their purchasing power increase, and have increasingly accepted the consumption of freshly-made beverage as a pleasant, relaxing, and indispensable part of their daily lives, with the expectation that such consumption will continue as they grow older. As a result, the frequency of consumption of freshly-made beverage is expected to increase.

Growth in the catering consumer spending: China's considerable consumer market continues to foster the dynamic growth of the catering industry. The market size of China's catering industry increased from RMB3,964.4 billion in 2017 to RMB4,394.1 billion in 2022, and is expected to reach RMB7,745.1 billion in 2027 to further grow at a CAGR of 12.0%. Due to evolving consumer demands and constant innovation by market participants, the catering industry is expected to sustain its rapid expansion, which also promotes the expansion in freshly-made beverage industry.

Supportive policies: In February 2023, the State Council issued the "Outline for Building a Quality Powerhouse" to promote the upgrade of the quality of living services and vigorously develop mass catering services. Furthermore, The National Development and Reform Commission published the "Measures for Restoring and Expanding Consumption" in July 2023, which proposes expanding catering consumer services, steadily promoting the construction of cold-chain facilities and improving consumer service standards. Adequate support and guidance from policies can speed up the rapid expansion of the catering industry while enabling the cultivation of leading enterprises.

Digitalized and convenient delivery services: Given the prevalent adoption of information technology, functions and services such as streamlined customer management, mini program ordering and delivery services are leading to the seamless convergence of online and offline realms. Brands that have embraced digital transformation are better positioned to conduct prompt, efficient and accurate analyses of consumption trends and store operations.

The trend toward healthier and higher-quality beverages: Consumers are becoming more mindful of factors such as food safety, nutritional content and the quality of ingredients. Freshly-made beverage brands with emphasis on fresh, healthy and innovative beverages with affordable pricing strategy could further prosper as they cater to consumers' evolving demand.

CHINA'S FRESHLY-MADE TEA SHOPS MARKET

Definition and Categorization of Freshly-Made Tea Shops

Freshly-made tea shops are tea shops that primarily serve freshly-made tea beverage and remain the main sales channels for freshly-made tea beverage in China. Freshly-made tea beverage can also be offered by coffee shops, bakeries and restaurants. In 2022, approximately 72% of the GMV in China's freshly-made tea beverage market came from freshly-made tea shops. Based on the average selling price of freshly-made tea beverage, tea shop brands in China can be classified as high-priced, mid-priced and low-priced tea shop brands.

Category	Definition
High-priced tea shop brands	• The average selling price* of freshly-made tea beverage is not lower than RMB20
Mid-priced tea shop brands	• The average selling price of freshly-made tea beverage is lower than RMB20, meanwhile higher than RMB10
Low-priced tea shop brands	• The average selling price of freshly-made tea beverage is not higher than RMB10

Note: The average selling price is calculated as the GMV generated from freshly-made tea beverage in 2022 divided by the total volume of freshly-made tea beverage sold in 2022.

Sources: China Insights Consultancy

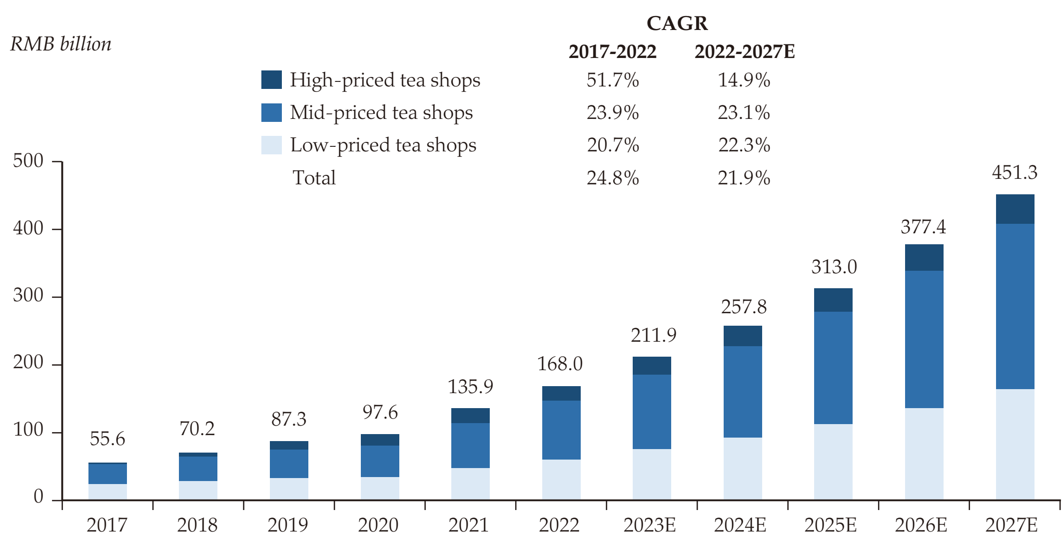
Market Size of Freshly-Made Tea Shops Market in China

China's total market size of freshly-made tea shops in terms of GMV was RMB168.0 billion in 2022, of which mid-priced tea shops accounted for the largest share of 51.5%. With the increasing prevalence of freshly-made beverages in China, mid-priced freshly-made tea beverage are emerging to support higher consumption frequency.

Influenced by the macro environment, consumers' primary considerations for purchasing have gradually shifted in recent years. Their attention has now shifted towards the overall cost-effectiveness and health attributes of products. Positioned as "mass consumer goods", mid-priced freshly-made tea beverage have entered a period of rapid development, as mid-priced freshly-made tea shops are expected to achieve the fastest future growth from 2022 to 2027 among China's freshly-made tea shops market, with a CAGR of 23.1%. Mid-priced freshly-made tea shop brands that strike the balance of product quality and price have gained increasing popularity among consumers.

By enhancing their capabilities in areas such as product development, supply chain management and franchisee supervision, these mid-priced brands have significantly elevated the taste of their freshly-made tea offerings while upholding consistent quality standards. Total GMV generated by mid-priced freshly-made tea shops in China expanded from RMB29.6 billion in 2017 to RMB86.5 billion in 2022, registering a CAGR of 23.9%. In the next five years, mid-priced freshly-made tea shops are expected to be the largest and fastest-growing category in China's freshly-made tea shops market in terms of GMV. The total GMV generated by mid-priced freshly-made tea shops in China is expected to grow at a CAGR of 23.1% between 2022 and 2027.

Market size of freshly-made tea shops in terms of GMV, China, 2017-2027E

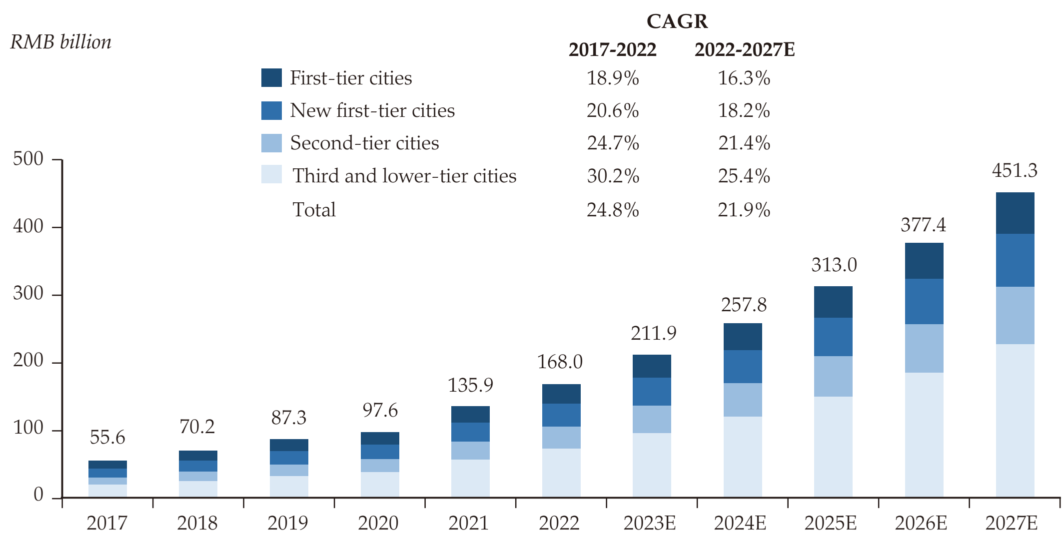


	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
High-priced tea shops	2.7	6.2	13.1	17.4	22.3	21.7	27.1	30.8	35.0	39.1	43.5
Mid-priced tea shops	29.6	36.4	42.1	46.2	66.6	86.5	109.3	134.9	165.8	202.6	244.4
Low-priced tea shops	23.3	27.6	32.1	34.0	47.0	59.8	75.5	92.1	112.2	135.7	163.4
Total	**55.6**	**70.2**	**87.3**	**97.6**	**135.9**	**168.0**	**211.9**	**257.8**	**313.0**	**377.4**	**451.3**

Sources: China Insights Consultancy

Based on economic development, population size and commercial resources, Chinese cities can be categorized into different tiers, namely first-tier, new first-tier, second-tier and third and lower-tier cities. In 2022, the GMV of the freshly-made tea shops market in these city tiers recorded RMB28.8 billion, RMB33.7 billion, RMB32.3 billion and RMB73.2 billion, respectively. Among these tiers, third and lower-tier cities, which have a substantial population, accounted for 43.6% of China's freshly-made tea shops market in 2022 in terms of GMV, and are expected to be the fastest-growing segment within China's freshly-made tea shops market in terms of GMV with a CAGR of 25.4% between 2022 and 2027.

Market size of freshly-made tea shops in terms of GMV, by city tier, China, 2017-2027E



	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E
First-tier cities	12.1	15.1	17.9	18.7	24.3	28.8	34.2	39.9	46.4	53.7	61.4
New first-tier cities	13.2	16.4	19.9	21.7	28.3	33.7	41.0	48.4	57.1	66.8	77.6
Second-tier cities	10.7	13.5	16.9	18.8	26.3	32.3	40.5	49.1	59.4	71.4	85.1
Third and lower-tier cities	19.6	25.2	32.6	38.4	57.0	73.2	96.2	120.4	150.1	185.5	227.2
Total	**55.6**	**70.2**	**87.3**	**97.6**	**135.9**	**168.0**	**211.9**	**257.8**	**313.0**	**377.4**	**451.3**

Sources: China Insights Consultancy

Market Drivers of China's Freshly-Made Tea Shops Market

Increasing purchasing power: Chinese consumers are showing growing interest in high-quality products, and their consumption habits are gradually shifting to more upscale offerings. As a result, there is a significant increase in demand for high-quality, freshly-made tea beverage. With the continuous ascent of China's per capita disposable income and residents' purchasing power, the number of freshly-made tea beverages consumers and annual consumption are projected to keep rising in the next five years. Increase in urbanization rate, broadening of consumption scenario and the widening age group of freshly-made tea consumers will continue to drive up the number of consumers of freshly-made tea beverages. China's freshly-made tea consumers has increased from 211.9 million in 2017 to 294.1 million in 2022, with a CAGR of 6.8%, and is expected to reach 446.3 million in 2027, presenting a CAGR of 8.7% from 2022 to 2027. Annual consumption of freshly-made tea beverage per capita in China has increased from 4.2 cups in 2017 to 9.1 cups in 2022, and is projected to increase at a CAGR of 20.2% to reach 22.8 cups in 2027.

Continuous innovation in categories, quality and drinking experience of freshly-made tea beverage: In the face of growing competitiveness within the freshly-made tea beverage industry, brands of freshly-made tea shops have embarked on a journey of product diversification and innovation. This extends to areas like tea base extraction techniques, scents and distinctive fruit combinations. Simultaneously, these brands are dedicated to elevating product quality to maintain cost-efficiency and the loyalty of their customer base. Additionally, freshly-made tea shop brands are focused on enriching the consumer experiences by creating warm in-store atmospheres, intricate product design and the facilitation of seamless sales channels.

Steady growth in the number of freshly-made tea shops, especially chain shops: Increasing number of freshly-made tea shops can raise the availability and accessibility for consumers. In contrast to independent tea shops, chain tea shops capitalize on economies of scale, enabling rapid expansion and fueling the overall surge in the number of freshly-made tea shops across China. This subsequently bolsters the accessibility of these products for consumers. Chain tea shops as a percentage of total freshly-made tea shops increased from 35.6% in 2017 to 51.7% in 2022, and is expected to reach 70.0% by 2027. The large proportion of chain tea shops holds the potential to standardize store operations and elevate the quality of product and service in freshly-made tea shop industry. Offering value-for-price products with unwavering quality can magnetize a larger customer base, foster repeat purchases and cultivate robust customer loyalty. This in turn amplifies GMV per store and a faster industry growth.

Development of online channels and delivery services: Online channels bring multiple advantages to the freshly-made tea shops industry, such as ease of purchase and delivery, multi-channel availability and innovative marketing, helping brands expand their influence and market share. Consumers can access freshly-made tea beverage through numerous channels, including physical storefronts, delivery services and online platforms. With the proliferation of mobile Internet and mobile payment, along with the ongoing digitization of China's catering industry, food delivery accounts for a growing percentage of the total GMV of freshly-made tea shops, from 14.4% in 2017 to 44.6% in 2022, and projected to reach 50.0% in 2027. Meanwhile, online channels brands to gain insights of consumer preferences, thereby enhancing marketing outcomes.

The idea of mass entrepreneurship prevails: The "Mass Entrepreneurship, Mass Innovation" aspiration catalyzes a surge of innovation and entrepreneurship across China. Franchise entrepreneurship offers the advantage of brand recognition with a wealth of operational experience. The catering industry has low entry barrier with high market potential, making it a popular choice among the would-be entrepreneurs. Compared with other categories of catering establishments, the initial investment needed for freshly-made tea shops are significantly lower, which can attract more potential franchisees. The growing number of potential franchisees can further boost growth in China's freshly-made tea shop industry.

Ongoing Trends of China's Freshly-Made Tea Shops Market

Product upgrades: The evolving preference towards healthier and superior quality options is propelling the refinement of freshly-made tea beverage, and inventive tea shops can better adapt to the shifting consumer demand, especially in lower-tier markets. The consistent evolution of tea product assortments ensures more stable sales. Furthermore, prominent brands are also venturing beyond traditional tea beverage offerings, diversifying their product range to align with evolving demand and widening consumption scenarios, such as developing innovative flavors and ingredients of freshly-made tea beverage. Such a proactive approach to new product releases can drive up repeat purchases and customer commitment.

Enhanced upstream supply chain management: Consumers' demand for raw materials quality and product innovation prompts freshly-made tea shop brands to upgrade their supply chain, including raw materials procurement, production and processing, warehousing and logistics. Direct sourcing from the place of origin or self-established production bases, along with standardized quality control protocols for raw materials, facilitates a reliable raw material supply with stringent quality standards. Meanwhile, establishing warehousing and distribution hubs in key regions across the country reduces the transportation time and distance between raw materials and stores. Careful management of incoming raw material storage also guarantees optimal freshness.

Brand awareness: A freshly-made tea shop brand with a stable brand image is more easily recognized and chosen in the market, and consumers are more inclined to purchase products from brands they are familiar with and trust. In a fiercely competitive market, distinguishable branding can help freshly-made tea shop brands stand out among competitors, creating a unique competitive advantage. The increasing significance and efforts in brand and community building could benefit freshly-made tea shop brands to enhance customers experiences and thus stickiness. Non-branded freshly-made tea shops will be at a competitive disadvantage.

COMPETITIVE LANDSCAPE OF CHINA'S FRESHLY-MADE TEA SHOPS MARKET

Competitive Landscape of China's Freshly-Made Tea Shops Market

China's freshly-made tea shops market is highly competitive. As of September 30, 2023, the Group ranked fourth in terms of system-wide store count of 7,297; and fourth in China's freshly-made tea shop market in terms of GMV amounting to RMB7.2 billion in the nine months ended September 30, 2023. The Group is the fastest-growing freshly-made tea shop brand in terms of the growth rates of system-wide store count and GMV among the five largest freshly-made tea shop brands in China in terms of system-wide store count in 2022 and the nine months ended September 30, 2023 according to CIC. The Group's system-wide store count increased by 40.5% from 3,776 stores as of December 31, 2021 to 5,307 stores as of December 31, 2022, and increased by 37.5% from 5,307 stores as of December 31, 2022 to 7,297 stores as of September 30, 2023. The Group's GMV increased by 45.8% from RMB4,161.1 million in 2021 to RMB6,068.0 million in 2022, and by 57.7% from RMB4,554.4 million in the nine months ended September 30, 2022 to RMB7,183.0 million in the nine months ended September 30, 2023.

In terms of system-wide store count, The Group ranked third among China's mid-priced freshly-made tea shop brands as of September 30, 2023. During the same period, The Group ranked first in terms of system-wide store count in northern China among China's mid-priced freshly-made tea shop brands. Also, the Group has the most extensive store network in China in terms of the number of cities covered, among mid-priced freshly-made tea shop brands in China as of September 30, 2023, indicating strong penetration than other mid-priced freshly-made tea shop brands. The Group ranked third in China's mid-priced freshly-made tea shop market in terms of GMV, with a market share of approximately 8.6% in the nine months ended September 30, 2023.

As of September 30, 2023, approximately 49.0% of The Group's stores are located in third and lower-tier cities, higher than the average of the top five mid-priced freshly-made tea shop brands.

Ranking of top five mid-priced freshly-made tea shop brands in China, in terms of system-wide store count, as of September 30, 2023

Rank	Brand name	Approximate system-wide store count, September 30, 2023	Approximate system-wide store count in northern China[1], September 30, 2023	Number of covered cities, September 30, 2023	GMV, the nine months ended September 30, 2023	Percentage of stores located in third and lower-tier cities, September 30, 2023
					(RMB billion)	
1	Brand A	8,578	~500	~195	13.8	48%
2	Brand B	~7,500	~1,800	~335	12.5	39%
3	**The Group**	**7,297**	**3,752**	**343**	**7.2**	**49%**
4	Brand C	~7,000	~1,700	~310	5.4	54%
5	Brand D	~4,300	~1,100	~220	6.8	30%

Notes:

(1) Northern China refers to provinces located in the north of Qinling-Huaihe Line, and the provinces with more than 50% of the area located in the north of this line.

(2) Brand A was established in 2010 and headquartered in Zhejiang Province.

Brand B was established in 2008 and headquartered in Sichuan Province.

Brand C was established in 2007 and headquartered in Sichuan Province.

Brand D was established in 1997 in Taiwan Province, and entered Mainland China market in 2007.

Sources: China Insights Consultancy

Key Success Factors of China's Freshly-made Tea Shops Market:

- **Capabilities of store expansion and penetration into third and lower-tiers cities:** Opening new stores is a direct factor to promote the GMV and revenue of freshly-made tea shop brands. In China, cities categorized as third and lower-tier collectively have a population of nearly 0.9 billion, but the prevalence of freshly-made tea shops remain comparatively modest than that in high-tiers cities. As the purchasing powers of consumers in third and lower-tiers cities increase, the freshly-made tea shops market will show great potential in third and lower-tier cities, and the capability to penetrate into third and lower-tier cities is a pivotal for freshly-made tea shop brands' enduring growth and development.

- **Product innovations:** Sustaining consumer interest relies on product innovation. Brands must simultaneously update their classic products and introduce new offerings to meet consumers' evolving tastes and preferences. Failure to do so will result in losing their appeal and novelty to existing consumers.

- **Efficient selection and management of franchisees:** It is essential for brands that use the franchise model to carefully choose franchisees based on their capability and cultural alignment with the brand. Once franchisees join the brand, it is crucial to maintain strict control over their operations as high-performing franchisees can enhance sales figures and promote the brand's reputation, whereas under-performing franchisees can undermine the brand's reputation.

- **Established and sophisticated in nationwide warehousing and logistics:** The logistics of leading freshly-made tea shop brands encompass high frequency, small batch, rapid and multi-point distribution, posing high demands on warehousing, logistics and freshness preservation technology. A well-developed logistics and warehousing system directly affect the geographical coverage, market response time and operational strength of freshly-made tea shop brands.

- **High-level digitalization:** Freshly-made tea shop brands with strong consumer insights can improve their membership program to incentivize more consumers to join. Digital operations have become essential for shop productivity, guiding product launches and pricing strategies towards consumer preferences and improving sales performance. Digital strength such as digital store inspections can also streamline business processes and increase efficiency.

Entry Barriers of China's Freshly-made Tea Shops Market

- **The ability to continuously create high-value and popular products at attractive price point:** Intense competition in the freshly-made tea shops market motivates consumers' pursuit of products with better value for affordable prices. Leading freshly-made tea shop brands that can offer products with better value-for-price will see rapid growth, and new entrants face high demands on the product development strength and supply chain operation strength.

- **Capabilities of product quality control and standardization:** When selecting freshly-made tea beverage from various freshly-made tea shop brands, consumers are becoming more cautious and selective towards safety and taste. Therefore, brands need to enforce rigorous internal quality standards and operational procedures. New market entrants may struggle to maintain product quality while expanding stores, resulting in low customer retention and gradual erosion of their market positions.

Challenges of China's Freshly-made Tea Shops Market

- **Stable supply of ingredients:** In the midst of the highly competitive freshly-made tea shop market, maintaining a stable supply of essential raw materials and offering distinguishable product poses a challenge for freshly-made tea shop brands. This is especially true for the freshly-made fruit tea beverage, where the perishable fruits with limited sourcing range pose significant seasonal constraints. Overcoming this challenge and guaranteeing a year-round supply of top-notch fruit is crucial for industry advancement.

- **Food safety and hygiene compliance risks:** The freshly-made tea shop industry faces the typical food safety and hygiene compliance risks prevailing in the catering sector. Freshly-made tea shop brands must proactively manage food safety by controlling aspects such as beverage production, store environment and personnel to avert food safety incidents and negative public opinion risks in all stores.

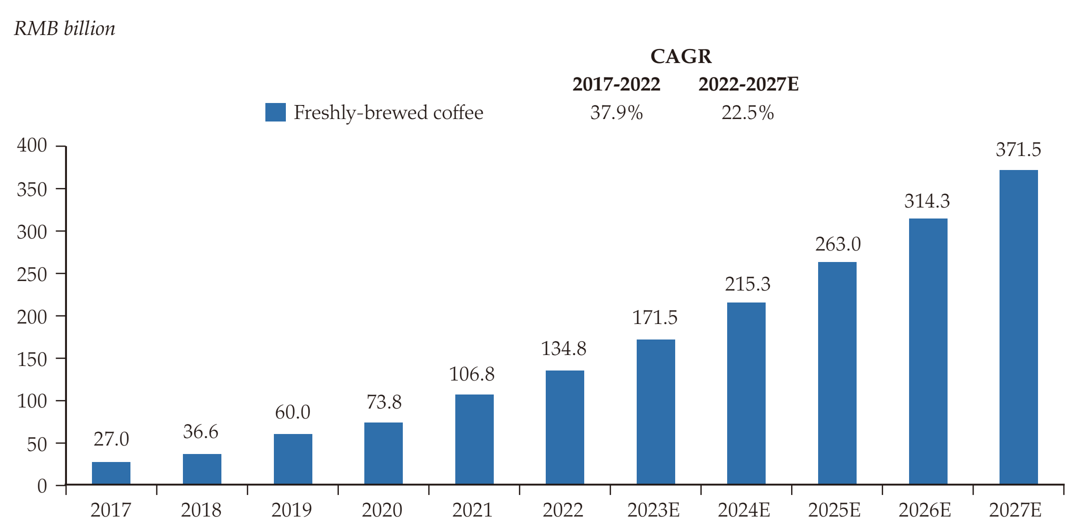
CHINA'S FRESHLY-BREWED COFFEE MARKET

Market Size of Freshly-Brewed Coffee Market in China

Freshly-brewed coffee is a a type of beverage prepared on-site using ground coffee, coffee extracts or other coffee-centric ingredients.

The freshly-brewed coffee market in China is still in the early stages of development compared to more established markets, but has significant growth potential. The total size of China's freshly-brewed coffee market, as measured by GMV, surged from approximately RMB27.0 billion in 2017 to approximately RMB134.8 billion in 2022, with a remarkable CAGR of 37.9%. The market size of the freshly-brewed coffee industry in China is expected to continue expanding at a CAGR of 22.5%, reaching approximately RMB371.5 billion by 2027, powered mainly by innovative flavored coffee.

Market size of freshly-brewed coffee in terms of GMV, China, 2017-2027E



Market Drivers and Ongoing Trends of China's Freshly-Brewed Coffee Market

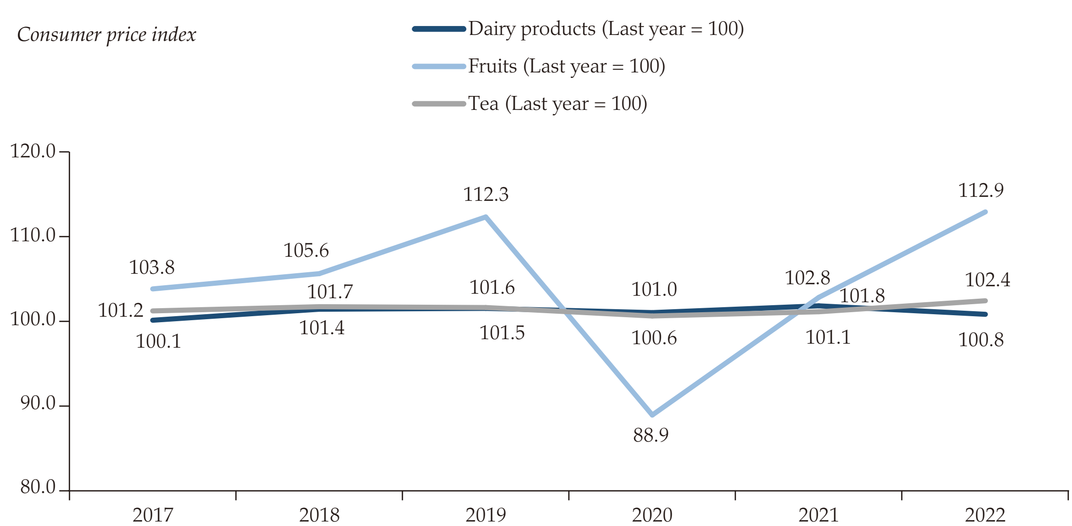
Increasing consumption base and frequency: Freshly-brewed coffee is increasingly gaining acceptance among consumers in China, leading to a surge in its consumer base and annual consumption. The number of freshly-brewed coffee drinkers grew from 35.0 million people in 2017 to 104.7 million people in 2022, representing a CAGR of 24.5% during this period, and is projected to reach 181.1 million people in 2027. Meanwhile, the average annual freshly-brewed coffee consumption per capita is also rising, projected to grow from 4.3 cups in 2022 to 11.7 cups in 2027, with a CAGR of 22.2%.

Cross-selling opportunities: More and more brands of freshly-brewed coffee and freshly-made tea beverage are entering each other's fields to seize cross-selling opportunities and enhance operating efficiency. Most existing freshly-brewed coffee shops and freshly-made tea shops choose to introduce supplementary tea and coffee products to complement their existing product categories rather than establishing standalone stores, as the launch of new categories means an expansion in revenue streams and profits.

COST ANALYSIS OF FRESHLY-MADE TEA SHOPS MARKET IN CHINA

Raw materials cost has been a significant cost component for freshly-made tea shops in China. The consumer price index ("CPI") of fruits, which are extensively utilized in these tea shops, has displayed fluctuations, but overall has indicated rising tendency from 103.8 in 2017 to 112.9 in 2022. On the other hand, the CPI of dairy products and tea, other crucial ingredients, has remained relatively steady, experiencing a gradual increase from 100.1 and 101.2 in 2017 to 100.8 and 102.4 in 2022, respectively.

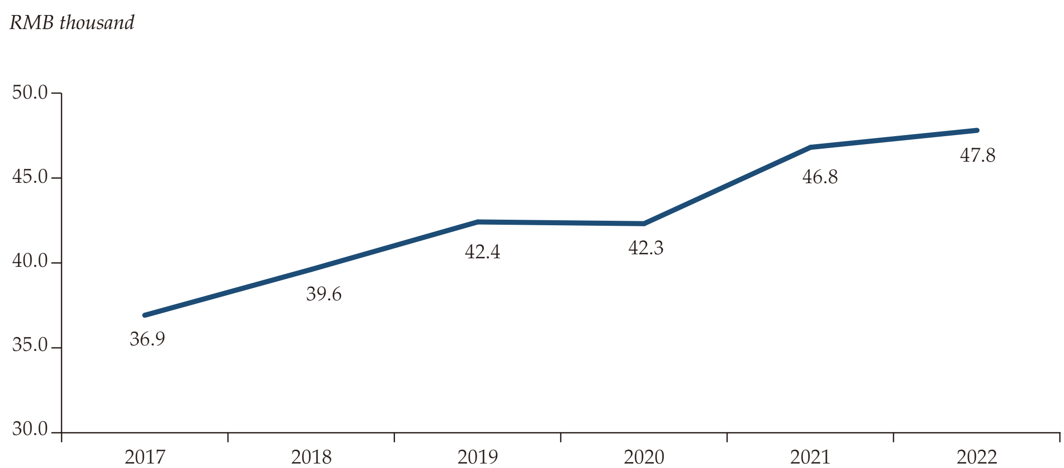
Consumer price index for dairy products, fruits and tea, China, 2017-2022



Sources: NBS, China Insights Consultancy

With the advancement of China's economy, the average annual salary of employees in the private sector of the catering industry escalated from RMB36,886 in 2017 to RMB47,847 in 2022, demonstrating a CAGR of 5.3%. This upward trajectory is projected to persist owing to economic progress, urban expansion and inflation.

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



Note: Private sector is defined as the sector which is running by private individuals or groups, usually as a means of enterprise for profit, and is not controlled by the state.

Sources: NBS, China Insights Consultancy

PRC REGULATIONS

REGULATIONS ON CORPORATION

The establishment, operation and management of corporate entities in the PRC are governed by the PRC Company Law (《中華人民共和國公司法》) (the "**PRC Company Law**"), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013, October 2018 and December 2023, respectively. The latest amendment will be effective since July 2024. 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" is an incorporated enterprise 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 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 for a company limited by shares is constituted by all shareholders, functioning as the company's authoritative body.

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 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, except 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

Share transfers are permissible under the PRC Company Law, either on a stock exchange or through other methods as required by the State Council. Registered shares may be transferred following shareholder endorsement or by methods specified in laws and regulations. After transfer, the company updates 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.

Certain restrictions apply to share transfers: promoters' shares and shares issued before public issuance may not be transferred within one year of the company's establishment or listing on a stock exchange, respectively. Directors, supervisors and senior management must declare their shareholdings and may transfer up to 25% annually during their terms, with additional restrictions outlined in the PRC Company law. 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 senior management.

REGULATIONS ON FOREIGN INVESTMENT

Investment in the PRC by foreign investors is 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 (the "**NDRC**") on October 26, 2022 and took effect on January 1, 2023, and the Special Administrative Measures (Negative List) for Foreign Investment Access (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 establishes standardized restrictive measures, including stipulations on shareholding percentages and management criteria, for foreign investments in industries explicitly listed as restricted or prohibited. Industries not included in the Negative List are subject to the principle of equal treatment for both domestic and foreign investments.

On March 15, 2019, the National People's Congress (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, the state actively encourages and supports foreign investment, ensuring the protection of the lawful rights and interests of foreign investors. The administration of foreign investment is regulated to create an environment conducive to foreign investors. Continuous efforts are made to optimize the foreign investment environment, promoting a more open and inviting landscape for foreign participation at an elevated level.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation (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, in the event that a foreign investor engages in investment activities in the PRC, either directly or indirectly, the market regulatory authorities are required to transmit the investment information provided by the foreign investor or the foreign-invested enterprise to the relevant competent commerce administrative authorities.

REGULATIONS ON FOOD SERVICE INDUSTRY

Food Safety

The regulatory framework is anchored in the Food Safety Law of the PRC (《中華人民共和國食品安全法》), initially promulgated on February 28, 2009 and last amended on April 29, 2021. Under this law the State Council implemented a licensing system for food production and trading activities, any 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》), initially promulgated by the State Council on July 20, 2009 and last amended on October 11, 2019, further clarifies specific measures and penalties for food producers and food business operators who fail to comply with required measures.

According to the Administrative Measures of Food Production Licensing (《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 is responsible for supervising and guiding the supervision and inspection of food production and business operation nationwide and may organize supervision and inspection when necessary.

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 investigation and punishment of violations of food safety laws, regulations or rules or food safety standards committed by the providers of third-party online food trading platforms and the food producers and traders engaging in trade through the third-party platforms or self-built websites 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 that engage in food production activities within the territory of PRC shall obtain the food production license. The food production licensing is subject to the "one entity, one license" principle, that is, to engage in food production activities, one food producer shall obtain one food production license.

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.

Operating without a proper food production license by food producers or food business operators, including where the food produced by food producers does not fall into the food categories specified in the food production license, may lead to severe penalties as outlined in Article 122 of the Food Safety Law, under which their illegal income, foods or food additives from the illegal food production or business activities, tools, equipment, raw materials used in the illegal production or business activities shall be confiscated by the authorities; where the value of the food or food additives from the illegal manufacturing or business activities is less than RMB10,000, a fine ranging from RMB50,000 to RMB100,000 shall be imposed; where the value of the food or food additives is RMB10,000 or more, a fine ranging from 10 to 20 times the value of the food or food additives shall be imposed.

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》), which was recently promulgated on June 15, 2023 by SAMR and became effective on December 1, 2023, entities involved in food selling and catering services within the territory of PRC shall obtain the food operation license which is valid for 5 years. Applications of food operation licenses shall be filed according to food operators' types of operation and classification of operation projects. Food operators shall display their original food operation licenses prominently at their sites of operation. If the licensing items which are indicated on a food operation license change, the food operator shall, within 10 business days after the changes take place, apply with the SAMR which originally issued the license for alteration of the operation license. Engaging in food operation activities without a valid food operation license incurs penalties made by local market regulatory authorities at or above the county level according to Article 122 of the Food Safety Law.

Online Catering Services

According to 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 (now merged into SAMR) on November 6, 2017 and amended on October 23, 2020, online catering service providers shall have physical stores and obtain food operation license in accordance with the law, and engage in operations on the basis of the business forms and operation items specified on food operation license, and shall not operate beyond the business scope specified on food operation license. If the online catering service providers operate their business without 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.

Food Recall

The Administrative Measures for Food Recall (《食品召回管理辦法》) was promulgated by China Food and Drug Administration (now merged into SAMR) on March 11, 2015 and was most recently amended on October 23, 2020, according to which food producers and dealers shall be the primary persons responsible for food safety, establish and improve the relevant management rules, collect and analyse food safety information, and perform the obligations to cease the food production and business operation, recall and disposal of unsafe foods in accordance with the law. Where a food producer becomes aware that any food it produced and distributed is unsafe by such means as self-examination, complaints and reporting of the general public, and notification of dealers and regulatory authorities, it shall voluntarily recall such food. Where a food business operator caused the food unsafe due to its own reason within its business scope, it shall voluntarily recall such food in accordance with the provisions of relevant laws and regulations.

REGULATIONS ON PRODUCT QUALITY AND CONSUMER RIGHTS PROTECTIONS

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 last 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 because of purchased product, the seller shall compensate for such losses.

On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) (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. This law serves to safeguard consumers' rights during the purchase or use of goods and services. According to the Customer Protection Law, business operators must ensure that the commodities they sell meet safety 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. Non-compliance with the Customer Protection Law may result in civil liabilities for business operators, include refunding purchase prices and compensation, administrative penalties such as confiscation of illegal income, fines, orders to suspend business for rectification, and revocation of business licenses. In severe cases where business operators commit crimes by infringing upon the legitimate rights and interests of customers, criminal penalties may be imposed.

REGULATIONS ON FRANCHISED COMMERCIAL OPERATION

Franchised operation is subject to the supervision and administration of the Ministry of Commerce 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. This regulation is later 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 Ministry of Commerce 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 Ministry of Commerce on February 23, 2012 and effective on April 1, 2012.

According to these regulations, franchisers may engage in franchised operation activities on conditions that they shall have a mature operation model and be able to provide long-term 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 Ministry of Commerce or the local competent department of commerce. The franchise contract itself must include specific provisions covering terms, termination rights and payment details.

Franchisers shall, within 15 days after having concluded a franchise contract for the first time, report it to the commercial administrative department for archival filing. Where a franchiser engages in franchised activities within the scope of two or more provincial areas, it shall file with the Ministry of Commerce. Filing shall be performed by the franchisers complying with the above applicable regulations through the information management system for commerce franchises established by the Ministry of Commerce. In addition, franchisors shall, prior to March 31 of each year, report to the archival filing authority the information regarding the franchise contracts concluded, revoked, terminated and renewed during the previous 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 ranging from RMB10,000 to RMB50,000. Failure to file within the stipulated period may render a fine ranging from RMB50,000 to RMB100,000, and a public announcement.

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, last 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 National Intellectual Property Administration, or the Trademark Office, 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 Trademark Office shall have the right to investigate infringement of exclusive rights to use registered trademarks pursuant to the law; where the case constitutes a criminal offence, the case shall be promptly forwarded to the judicial authorities for handling pursuant to the law.

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 last 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 last amended on January 30, 2013, the PRC citizens, legal persons or other organizations shall, enjoy copyright in their works, whether published or not. Works shall refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form, including works of literature, art, natural science, social science, engineering technology and computer software. Where the copyright or copyright-related rights are infringed, the infringer shall make compensation based on the actual losses suffered by the holder of rights or the illegal income of the infringer; where it is difficult to compute the actual losses of the holder of rights or the illegal income of the infringer, compensation may be made with reference to the royalties for such rights. In the case of intentional infringement of copyright or copyright-related rights, where the case is serious, compensation may be paid ranging from one to five times the amount determined pursuant to the aforesaid method.

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 last 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 last amended on December 11, 2023, the National Intellectual Property Administration is responsible for administering patents in the PRC. The rules provide for three types of patents, "invention", "utility model" and "design." The duration of patent rights for an invention shall be 20 years, the duration of patent rights for a utility model shall be 10 years and the duration of patent rights for a design shall be 15 years, commencing from the filing date.

Domain Names

According to 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 Ministry of Industry and Information Technology (the "**MIIT**") on August 24, 2017 and effective on November 1, 2017, the MIIT is in charge of the administration of PRC Internet domain names. According to 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》) (the "**ccTLD Registration Rules**"), promulgated by the China Internet Network Information Center (the "**CNNIC**") on June 18, 2019 and effective on the same day, pursuant to which, the CNNIC is responsible for the daily administration of CN domain names and Chinese domain names. Use of domain name by providers of Internet information services shall comply with laws and regulations and the relevant provisions of the telecommunication administrative authorities, and shall not use a domain name to carry out illegal acts.

REGULATIONS ON THE SANITATION OF THE PUBLIC ASSEMBLY VENUE

The Regulation on the Administration of Sanitation in Public Places (《公共場所衛生管理條例》) effective on April 1, 1987 and last 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 last amended on December 26, 2017, were promulgated by the State Council and the Ministry of Health (later known as National Health Commission of the PRC), respectively. The adoption of these regulations aims to establish favorable and hygienic conditions in public assembly venues, mitigating the risk of disease transmission and ensuring the well-being of the public. In accordance with the guidelines set by local health and family planning administrations, operators of public assembly venues, including restaurants, must acquire hygiene permits issued by the local health authority.

The Decision of the State Council on the Integration of Sanitary Permits and Food Operation Licenses in Public Places for Restaurant Services (《國務院關於整合調整餐飲服務場所的公共場所衛生許可證和食品經營許可證的決定》), which was promulgated by the State Council on February 3, 2016, cancels the hygiene permits issued by the local health authorities for four kinds of public places, including restaurants, cafes, bars and teahouses. The relevant food safety licenses are integrated into the food operation licenses issued by the food and drug regulatory authorities, which are licensed and unified by the food and drug regulatory authorities.

REGULATIONS ON REAL ESTATE LEASING

In line with the Civil Code, individuals owning either real or movable property have the legal entitlement to possess, utilize, generate income from and dispose of their property as per legal provisions. With the lessor's approval, the lessee is permitted to sublease the rented premises to a third party, and in such cases, the original lease agreement between the lessee and the lessor remains valid. However, if the lessee subleases the premises without the lessor's consent, the lessor reserves the right to terminate the lease. According to the Interpretation of Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Cases Involving Disputes over Contracts for Lease of Urban Houses (Amended in 2020) (《最高人民法院關於審理城鎮房屋租賃合約糾紛案件具體應用法律若干問題的解釋》(2020年修正)) promulgated on 2020.12.29, the lease contract concluded between a lessor and a lessee for a property that has not obtained the construction project planning permits or has not been constructed in accordance with the construction project planning permits shall be invalid.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to the Administrative Measures on Leasing of Commodity Housing, both the lessor and the lessee are obligated to complete property leasing registration and filing procedures within 30 days from the execution of the property lease agreement. This must be done with the development authorities or real estate authorities of the municipality or county where the leased property is situated. Failure to comply may result in a corrective order within a specified timeframe, and if not rectified, a fine ranging from RMB1,000 to RMB10,000 may be imposed for each lease agreement by the relevant authorities.

REGULATIONS ON FIRE PREVENTION

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**") was promulgated by the SCNPC on April 29, 1998 and was last amended on April 29, 2021. In accordance with the Fire Prevention Law, before a public gathering place is put into use or opens for business, the constructing entity or the entity utilizing the facility shall apply to the fire and rescue department of the local people's government at or above the county level at the place where the place is located for fire safety inspection. Any public gathering place put into use or operated without passing the fire safety inspection or without satisfying the fire safety requirements, will result in an order to cease construction, utilization, production or operation. Furthermore, a fine ranging from RMB30,000 to RMB300,000 may be imposed.

According to the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and last amended on August 21, 2023, special construction projects is required to be filed for an application for fire protection final inspection, while construction projects other than special construction projects requiring fire protection designs in accordance with the national technical standards of fire protection for 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. According to the Fire Prevention Law and the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects, 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 ranging from RMB30,000 to 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.

REGULATIONS ON ENVIRONMENTAL PROTECTION

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 last amended on April 24, 2014. The Environmental Protection Law has been formulated for the purposes of environmental protection and improvement, prevention and treatment of pollution and other hazards, protection of public health, promoting development of ecological civilization, promoting sustainable economic and social development. According to the provisions of the Environmental Protection Law, all organizations and individuals shall bear the obligation for environmental protection. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to an environmental impacts 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 comply with the requirements of the approved environmental impact assessment documents and shall not be arbitrarily removed or left idle. Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced shutdown or criminal punishment.

Under 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 last amended on December 29, 2018, the State Council has instituted an environmental impact assessment (the "**EIA**") system, categorizing construction projects based on their environmental impact. 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 scope of environmental impact assessment in the management of construction projects.

REGULATIONS ON WORK SAFETY

Under relevant construction safety laws and regulations, including the PRC Work Safety Law (《中華人民共和國安全生產法》), which was promulgated by the SCNPC on June 29, 2002, 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. Producers and business operators shall provide their employees with education and training on work safety to ensure that the employees acquire the necessary knowledge about work safety, are familiar with the relevant rules for work safety and safe operating procedures, master the safety operating skills for the posts, understand the emergency handling measures for accidents and are aware of their rights and obligations in respect of work safety. No employee who fails to pass the examination after receiving education and training on work safety may be assigned to work. The emergency administration under the State Council and its local counterparts are responsible for supervision and control over work safety.

REGULATIONS ON 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》), which became effective on June 1, 2017. According to the Cybersecurity Law, no individual or organization may steal or otherwise unlawfully obtain any personal information, or sell or unlawfully provide any personal information to others. Network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard network security in conducting business and providing services. Network service providers 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 and maintain the integrity, confidentiality and usability of network data.

On November 14, 2021, the Cyberspace Administration of China (the "**CAC**") publicly solicited opinions on the Draft Network Data Security Regulations (《網絡數據安全管理條例(徵求意見稿)》). According to the Draft Network Data Security Regulations, data handlers seeking a public listing in Hong Kong that affect or may affect national security are required the data processors that carry out the following activities to apply for cyber security review. As of the Latest Practical Date, the CAC has sought public comments on the draft Network Data Security Regulations until December 13, 2021. However, the formal adoption of the Draft Network Data Regulations has not taken place, and there is currently no set timetable for its enactment. This situation gives rise to significant uncertainties concerning the enactment schedule, final content, interpretation and implementation of the regulations, including the criteria used to determine whether a listing in Hong Kong "affects or may affect national security."

On December 28, 2021, Measures for Cybersecurity Review (《網絡安全審查辦法》) was issued by CAC jointly with other governmental authorities, which took effect on February 15, 2022. Under the Measures for Cybersecurity Review, the procurement of network products and services by critical information infrastructure operators 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 Measures for Cybersecurity Review, a network platform operator who processes 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 Measures for Cybersecurity Review, member organizations of the cybersecurity review working mechanism may initiate cybersecurity review towards network products, network services and data processing activities ex officio. The Cyber Security Review Office may voluntarily conduct a cyber security review if any network products and services, activities of data process or listing of companies overseas affects or may affect national security. Pursuant to the Cyber Security Review, any violation shall be punished in accordance with the Cyber Security Law and the Data Security Law, the sanctions under which include, among others, government enforcement actions and investigations, fines, penalties and suspension of our noncompliant operations.

REGULATIONS ON PERSONAL INFORMATION AND DATA PROTECTION

The Cybersecurity Law stipulates the following: (i) when collecting and using personal information, network operators must adhere to the principles of legitimacy, appropriateness and necessity. They are required to disclose rules regarding data collection and use, clearly articulate the purposes, methods, and scope of collecting and using information, and obtain consent from the individuals whose data is being collected; (ii) network operators are prohibited from collecting personal information unrelated to the services they provide, and they must not violate laws, administrative regulations or the consent given by individuals in terms of data collection and usage. Furthermore, they are obligated to handle saved personal information in accordance with laws, administrative regulations, and agreements made with the individuals; (iii) personal information collected should not be disclosed, tampered with or destroyed without the prior consent of the individuals concerned. Exceptions exist when the information has been processed to prevent the identification of specific individuals and cannot be restored.

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 law requires that data processing activities adhere to the provisions of laws and administrative regulations. Establishing and completing a data security management system for the entire workflow is crucial. Organizations must conduct data security education and training, employ appropriate technical measures and take necessary steps to ensure data security. This includes reinforcing risk monitoring, implementing immediate disposition measures and promptly reporting to relevant authorities in case of data security incidents. Furthermore, any organization or individual engaging in data collection must use lawful and proper means, and the acquisition of data by theft or other illegal means is strictly prohibited. Processors of important data are obliged to designate a person responsible for data security and management agencies. They must implement data security protection responsibilities, conduct periodic risk assessments for data processing activities and submit risk assessment reports to the relevant authorities as specified by the law.

Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), 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. Critical information infrastructure operators and personal information handlers, particularly those processing personal information beyond the threshold amount set by the CAC, are mandated to store personal information collected and generated within the territory of the People's Republic of China. If there is a need to transfer such information abroad, a security assessment organized by the CAC must be successfully completed. Personal information handlers must implement various measures to ensure that their processing of personal information complies with applicable laws and administrative regulations, and to prevent unauthorized access, as well as the unauthorized disclosure, alteration or loss of personal information. These measures include: (1) establishment of internal management rules and operational procedures, (2) implementation of classified management for personal information, (3) adoption of security technical measures such as encryption and de-identification, (4) reasonable determination of operational privileges related to personal information processing, coupled with regular security education and training for employees, (5) development and organization of emergency plans for handling incidents related to the security of personal information, and (6) implementation of any other measures mandated 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.

The Draft Network Data Security Regulations 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, requirement of cross-border data transfers, obligations of internet platform operator.

REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Contract Law

According to the Labour 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, educate labourers in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide labourers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labour protection. The PRC Labour 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 labour contracts. Pursuant to the PRC Labour Contract Law, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and the labourers. Enterprises and institutions are forbidden to force labourers to work beyond the time limit and employers shall pay labourers for overtime work in accordance with the laws and regulations. In addition, labour wages shall not be lower than local standards on minimum wages and shall be paid to labourers 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 Security 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 Management of Housing Funds (《住房公積金管理條例》) which was 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 the prescribed period. Those who do not fulfill these procedures within the specified timeframe will be liable to a fine ranging from RMB10,000 to RMB50,000. In cases of overdue or insufficient payment of the housing provident fund in contravention of the regulations, the housing provident fund managing center is authorized to instruct pertinent employers to make contributions within the designated period. Failure to comply may result in an application to a people's court for compulsory enforcement.

REGULATIONS ON TAXATION

Principal Taxation of Our Company In the PRC

Enterprise Income Tax

According to the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) (the "**Enterprise Income Tax Law**") that was last amended and 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 is obligated to pay enterprise income tax on its earnings originating from both within and outside the PRC at a fixed rate of 25%.

According to Notice on Implementation of Inclusive Tax Relief Policy for Small Low-profit Enterprises (《關於實施小微企業普惠性稅收減免政策的通知》) effective on January 1, 2019, Announcement on Implementation of Income Tax Incentives for Micro and Small Enterprises and Individually-owned Businesses (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》) effective on January 1, 2021, Announcement on Further Implementation of Income Tax Incentives for Small Enterprises with Meager Profits (《關於進一步實施小微企業所得稅優惠政策的公告》) effective on January 1, 2022, Announcement on Preferential Income Tax Policies for Small Enterprises with Meager Profit and Individually-owned Businesses (《關於小微企業和個體工商戶所得稅優惠政策的公告》) effective on January 1, 2023, and Announcement on Relevant Tax Policies for Further Supporting the Development of Micro and Small-sized 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》) effective on January 1, 2023, micro and small-sized enterprises are able to enjoy additional incentive policies regarding enterprise income tax.

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 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 became effective on November 1, 2011, all enterprises and individuals involved in the sale of goods, provision of processing, repair and replacement services, sale of services, intangible assets or immovable properties, as well as the importation of goods within the territory of PRC, are obligated to pay value-added tax (VAT). The standard VAT tax rates are generally simplified to 17%, 11%, 6% and 3%. Small-scale taxpayers are subject to a reduced VAT tax rate of 3%.

Pursuant to Notice on Adjusting Value-added Tax Rates (《財政部、國家稅務總局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 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 General Administration of Customs on March 20, 2019 and 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 Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) (the "**Individual Income Tax Law**") which was promulgated on September 10, 1980 and last amended on August 31, 2018 by the SCNPC, and 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 came into effect on January 1, 2019, Dividends disbursed by PRC enterprises to individual investors are generally subject to a flat-rate withholding tax of 20%. In the case of a foreign individual who is not a resident of the PRC, receiving dividends from a PRC enterprise usually incurs an individual income tax of 20%, unless granted specific exemptions by the tax authority of the State Council or reduced by pertinent tax treaties.

Corporate Investors

According to the Enterprise Income Tax 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 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 aforementioned income tax owed by a non-resident enterprise must be deducted at the source. The entity making the payment is responsible for withholding. At the time of payment or when the payment becomes due and payable, the withholding entity must deduct the income tax from the payment or the amount due and payable.

The Notice of the Issues Concerning Withholding Enterprise Income Tax on the Dividends Distributed by PRC Resident Enterprises to Overseas H-share Non-PRC Resident Enterprise Shareholders (《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》) that was promulgated by the SAT and 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》) that 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 Transfer of Equity

Individual Investors

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

In accordance with the Circular of the Declaring that Individual Income Tax Continues to Be Exempted over Income of Individuals from 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 China Securities Regulatory Commission (the "**CSRC**"), provided that income from the transfer of shares of listed companies on relevant domestic stock exchanges by individuals shall continue to be exempted from income tax, except 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, foresaid provisions don't specify whether income tax on the transfer of shares of a PRC resident enterprise listed on an overseas stock exchange by a non-PRC resident would be levied.

Corporate Investors

According to the Enterprise Income Tax Law and its implementation regulations, non-PRC resident enterprise, which has not established any institutions or establishments in China, or if it has, but its income generated in China is unrelated to those institutions or establishments, is required to pay tax on the portion of its income generated in China. This includes gains from the disposal of shares of PRC resident enterprises, and the generally applicable enterprise income tax rate is 10%. It's worth noting that such tax may be subject to reduction or elimination under applicable tax treaties or arrangements.

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, last 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, the Renminbi is freely convertible for payments of current account items, such as trade- and service-related foreign exchange transactions and dividend payments. However, it is not freely convertible for capital account items, such as direct investment, loans or investments in securities outside China, unless prior approval from the State Administration of Foreign Exchange ("**SAFE**") or its branches is obtained.

The Decisions of Matters including Cancelling 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 cancelled 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 funds obtained by a domestic company through an overseas listing can be transferred to a domestic account or deposited overseas. However, the utilization of these funds must align with the information provided in the document 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 bonuses.

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 and last amended on December 4, 2023, 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 RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB 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.

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》) was promulgated by the SAFE on October 13, 2019, and was last amended on December 4, 2023. Under this circular, where a non-investment foreign-funded enterprise makes equity investment in China through transfer of capital in a foreign currency, the investee shall complete registration formalities for receiving the domestic reinvestment and open a capital account to receive the funds pursuant to the provisions. It is not required to complete registration formalities for its monetary capital contribution entered into account. Domestic institutions involved in transferring equity should, according to regulations, complete the registration for receiving domestic reinvestment and open a capital project settlement account to receive the consideration for the transfer of equity.

Pursuant to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on April 10, 2020, subject to the condition of ensuring the genuine and compliant utilization of funds and adherence to the existing administrative regulations governing the use of income under the capital account, enterprises meeting the specified criteria are permitted to employ income under the capital account, including capital funds, foreign debt and overseas listing proceeds, for domestic payments without the necessity of providing proof materials for verification to the bank for each transaction in advance. Banks, guided by the principle of prudent business development, are responsible for managing and controlling relevant business risks and conducting post facto random inspections over the payment facilitation business related to income under capital accounts, in accordance with the relevant requirements.

REGULATIONS ON SECURITIES AND OVERSEAS LISTING

The Securities Law of the PRC (《中華人民共和國證券法》) (the "**PRC Securities Law**") which was latest revised on December 28, 2019 and came into effect on March 1, 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities and takeovers of listed companies. Article 224 of the PRC Securities Law stipulates that domestic enterprises that directly or indirectly issue securities or list and trade their securities outside the PRC must adhere to the relevant regulations set by 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.

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which 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 clarified the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Measures**") and five relevant guidelines, which took effect on March 31, 2023.

The Overseas Listing Measures have undergone a comprehensive overhaul of the regulatory framework for the overseas offering and listing of securities by domestic companies in the PRC, transitioning to a filing-based system. As per these measures, PRC domestic companies intending to offer and list securities in overseas markets, whether directly or indirectly, must undergo a filing procedure with the CSRC and provide relevant information. Direct overseas offering and listing by domestic companies pertain to the overseas offering and listing conducted by a joint-stock company incorporated domestically. On the other hand, indirect overseas offering and listing by domestic companies involve the offering and listing carried out by a company under the name of an overseas-incorporated entity, with the company's principal business operations located domestically. This type of offering and listing is based on the underlying equity, assets, earnings or other similar rights of a domestic company.

The Overseas Listing 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 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 "**Confidentiality and Archives Administration Provisions**"), which took effect on March 31, 2023. According to the Confidentiality and Archives Administration Provisions, 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" refers to the process of listing and trading on the Stock Exchange the domestically unlisted shares of an H-share listed company. This includes unlisted domestic shares owned by domestic shareholders before the overseas listing, unlisted domestic shares issued additionally after the overseas listing, as well as 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 on August 10, 2023. As outlined in the Guidelines for "Full Circulation," shareholders of domestic unlisted shares have the flexibility to jointly determine the amount and proportion of shares that will be included in the circulation application. This determination should be reached through mutual consultation, ensuring compliance with relevant laws, regulations and policies governing state-owned asset administration, foreign investment and industry regulation. Subsequently, the H-share listed company corresponding to these shares may be authorized to file for "full circulation" with the CSRC. 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 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. Additionally, they are required to authorize the domestic company to submit the conversion application to the CSRC on their behalf.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited (the "**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 operations related to the "full circulation" of H-share, including cross-border conversion registration, deposit and holding details maintenance, transaction entrustment, instruction transmission, settlement, management of settlement participants and services of nominal holders, are regulated by the Measures for Implementation. In cases where the Measures for Implementation do not provide specific guidance, procedures shall be followed by referring to other business rules established by the CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited, as well as the SZSE.

VISION

To become the world's most trusted freshly-made beverage brand.

MISSION

To delight consumers with healthy freshly-made beverages and empower our franchisees to succeed.

BUSINESS PHILOSOPHY

We are committed to creating value for our consumers and franchisees:

Consumers: We use premium ingredients, including loose-leaf tea and fresh fruits, to create healthy, delicious and affordable freshly-made beverages.

Franchisees: We provide comprehensive support to our franchisees in their pursuit of success. Together with our nationwide supply chain and strong product development and marketing capabilities, we have built a mutually beneficial partnership with our franchisees.

WHO WE ARE

We are a leading and fast-growing freshly-made beverage company, operating the fourth largest network of freshly-made tea shops in China as of September 30, 2023 according to CIC, with extensive reach into the lower-tier markets. In 2013, we opened the first *Auntea Jenny* store offering "grainy milk tea" (五穀奶茶) — milk tea with grain toppings. These beverages are best served hot, providing a warm and comforting choice during chilly winters, particularly in northern China. This kick-started our initial expansion of store network in northern China. We then saw the growing demand for fresh fruit tea among consumers across China, especially in the lower-tier markets. In 2019, we began to offer fresh fruit tea which was welcomed by our customers and enabled our rapid nationwide expansion, including the southern regions. In addition, we have expanded our product offerings through *Jenny x Coffee* and *Version Lite* to reach a wider range of consumers.

We operate a franchise-focused business model. As of September 30, 2023, 99.3%, or 7,245 of the 7,297 stores in our network, were operated by our franchisees. We generated a substantial majority of revenue from our franchising operations, mainly consisting of (i) sales of goods, and (ii) franchising services.

As of September 30, 2023, our store network of 7,297 stores covered all four centrally administered municipalities and over 300 cities in five autonomous regions and 22 provinces in China. Our store network spans from Mohe, Heilongjiang province in northern China to Sanya, Hainan province in southern China. According to CIC, in terms of system-wide store count as of September 30, 2023, we ranked:

- first among mid-priced freshly-made tea shop brands in northern China;
- third among mid-priced freshly-made tea shop brands in China; and
- fourth in China's freshly-made tea shop industry.

Furthermore, we are the fastest-growing freshly-made tea shop brand in terms of the growth rates of system-wide store count and GMV among the five largest freshly-made tea shop brands in China in terms of system-wide store count in 2022 and the nine months ended September 30, 2023 according to CIC. Our system-wide store count increased by 40.5% from 3,776 stores as of December 31, 2021 to 5,307 stores as of December 31, 2022, and increased by 37.5% from 5,307 stores as of December 31, 2022 to 7,297 stores as of September 30, 2023. Our GMV increased by 45.8% from RMB4,161.1 million in 2021 to RMB6,068.0 million in 2022, and by 57.7% from RMB4,554.4 million in the nine months ended September 30, 2022 to RMB7,183.0 million in the nine months ended September 30, 2023.

We strategically focus on the lower-tier markets and have achieved a leading market presence in the lower-tier markets in China in terms of system-wide store count among mid-priced freshly-made tea shop brands. As of September 30, 2023, 49.0% of stores in our network were located in third and lower-tier cities. In addition, according to the same source, among mid-priced freshly-made tea shop brands in China, as of September 30, 2023, we covered the most number of cities and also ranked first in terms of the number of provinces where our store count ranked among the top three freshly-made tea shop brands. Furthermore, as of September 30, 2023, our new stores required a lower initial investment cost as compared to the average of top five mid-priced freshly-made tea shop brands in China in terms of system-wide store count, according to CIC, which is favorable to franchisees in the lower-tier markets. We have accumulated a wealth of experience in store operations, personnel management and consumer preferences in the lower-tier markets in China, which enables our franchisees to tap into these markets more effectively. The freshly-made tea shop market in third and lower-tier cities in China is the largest and is expected to be the fastest-growing segment between 2022 to 2027, with significant potential for future growth. Our expertise and proven track record of success in this market segment position us well in capturing the significant future opportunities.

Our mutually beneficial franchise system is the foundation for our long-term and stable cooperation with franchisees. As of September 30, 2023, 32.3% or 1,382 of our 4,284 franchisees opened more than one store. In the nine months ended September 30, 2023, 47.3% or 1,087 of our new franchised stores were opened by our existing franchisees.

We have won several awards and received various certifications, including the 2023 Most Influential Brand of the Year (2023年度最具影響力品牌獎) from Meituan (美團), the 2023 Strategic Influential Brand of the Year (2023年度戰略影響力品牌) from 2024 Kamen Wanyouyinli Annual General Meeting (咖門 • 2024萬有飲力年度大會), the 2023 Annual Influential Brand (年度影響力品牌) from China Food and Beverage New Media Marketing

Summit (中國餐飲新媒體營銷峰會), the 2022 China Food Safety Honest Unit (2022中國食品安全誠信單位) from the Second China Food Safety and Quality Development Conference (第二屆中國安全食品高質量發展大會), the 2022 Excellent New-Style Tea Brand Award (新茶飲優秀品牌獎) from 2022 China New-Style Tea Conference (2022年中國新茶飲大會), the 2022 Chinese Consumer Satisfaction Product (*Freshly Stewed Pear* (鮮燉梨) series) (2022年度中國消費者滿意產品(「鮮燉梨」系列產品)) from China Safe Food Quality Development Conference (中國安全食品高質量發展大會), the 2022 Consumers' Favorite Brand (Industry) (2022年度(行業)消費者喜愛品牌) from China Brand Boao Summit (中國品牌博鰲峰會) and Top 3 Catering Brand Store Growth for 2021-2022 (年度餐飲品牌門店增長Top 3) from Canyandata (窄門餐眼).

OUR STRENGTHS

Leading position in China's freshly-made tea shop industry with rapid growth and extensive reach into the lower-tier markets

We are a leading and fast-growing freshly-made beverage company with extensive reach into the lower-tier markets in China. As of September 30, 2023, our store network comprised 7,297 stores, ranking fourth among freshly-made tea shop brands in China according to CIC. In terms of system-wide stores as of September 30, 2023, we are the third largest mid-priced freshly-made tea shop brand in China, and the largest mid-priced freshly-made tea shop brand in northern China, both according to CIC. We are also the fastest-growing freshly-made tea shop brand in terms of the growth rates of system-wide store count and GMV among the five largest freshly-made tea shop brands in China in terms of system-wide store count in 2022 and the nine months ended September 30, 2023 according to CIC. Our system-wide store count increased by 40.5% from 3,776 stores as of December 31, 2021 to 5,307 stores as of December 31, 2022, and increased by 37.5% from 5,307 stores as of December 31, 2022 to 7,297 stores as of September 30, 2023. Our GMV increased by 45.8% from RMB4,161.1 million in 2021 to RMB6,068.0 million in 2022, and by 57.7% from RMB4,554.4 million in the nine months ended September 30, 2022 to RMB7,183.0 million in the nine months ended September 30, 2023. Our mutually beneficial franchise system is the foundation for our long-term and stable cooperation with franchisees. Our franchisees' confidence in our brand image and store profitability can be evidenced by the fact that 32.3% or 1,382 of our 4,284 franchisees as of September 30, 2023 opened more than one store. In the nine months ended September 30, 2023, 47.3% or 1,087 of our new franchised stores were opened by our existing franchisees.

We have a leading market presence in the lower-tier markets in China in terms of system-wide store count. Our low initial investment cost per store and price-for-value product offerings are particularly attractive to potential franchisees in third and lower-tier cities, while our extensive network covering these lower-tier markets is supported by our nationwide cold-chain storage and supply chain coverage and our management team that provides comprehensive support across China. Our proven track record of success strengthen our appeal to potential franchisees in the lower-tier markets in China. As of September 30, 2023, with approximately 49.0% of stores in our network located in third and lower-tier cities, we had leading market presence in the lower-tier markets in China according to CIC. In the nine months ended September 30, 2023, 50.4% of new stores within our network were opened in third and lower-tier cities. The freshly-made tea shop market in third and lower-tier cities in China is the largest and is expected to be the fastest-growing segment between 2022 to 2027, with significant potential for future growth. According to CIC, the freshly-made tea shop market in third and lower-tier cities in terms of GMV in China grew from RMB19.6 billion in 2017 to RMB73.2 billion in 2022, with a CAGR of 30.2%, and is expected to reach RMB227.2 billion in 2027 at a CAGR of 25.4%, significantly outgrowing the overall freshly-made tea shop market. Combining our first-mover advantage, our light store model and solid nationwide supply chain capabilities, we are well positioned to capture the market opportunities.

Our deep market insights and our mutually beneficial partnership with our franchisees resulted in our past financial success. From 2021 to 2022, our revenue and net profit increased by 34.0% and 79.2%, respectively. From the nine months ended September 30, 2022 to the nine months ended September 30, 2023, our revenue and net profit increased by 54.1% and 188.7%, respectively. With our leading market position, solid partnership with our franchisees, accurate market insights and expanded coverage of consumer demands, we believe we are able to achieve strong growth in the future.

High quality and diverse product offering based on innovation and consumer insights

Our success is largely attributable to our deep understanding of consumer tastes and preferences and our commitment to product innovation. In 2013, we opened the first *Auntea Jenny* store offering "grainy milk tea" — milk tea with grain toppings. These beverages are best served hot, providing a warm and comforting choice for chilly winters, particularly in northern China. This kick-started our initial expansion of store network in northern China. We have since deepened our understanding of consumer preferences and established a scientific and rigorous product development system. We draw inspiration from the healthy cuisine with traditional Chinese ingredients, and explore unique ingredient matching combinations. We have successfully created a series of flavorful, healthy and popular products such as *Mango Pomelo Sago* (楊枝甘露) and *Rosy Green Grapes* (仙仙玫瑰青提), which blend the unique flavors of different toppings into traditional tea drinks, bringing consumers a rich and unforgettable taste experience. In the second half of 2023, in response to the latest consumer preferences for healthy milk tea drinks, we began to offer light milk tea — tea blended with fresh milk without any toppings. In addition to our tea drinks, we launched *Jenny x Coffee* in 2022 and further expanded our product matrix to include traditional and tea-flavored coffee made from freshly grounded premium roasted whole-bean coffee.

With our mission "to delight consumers with healthy freshly-made beverages," our experienced product development team, led by our founder and chief product officer Ms. Zhou Rongrong, has established our comprehensive product development system which covers processes from consumer research to product validation, which laid a solid foundation for product innovation. We launched over 100 new products in each of 2021, 2022 and 2023. We offer seasonal products that cater to consumers' seasonal preferences such as *Rosy Green Grapes*, *Mung Bean Milk Smoothie* (綠豆牛乳冰) and *Freshly Stewed Whole Pear* (鮮燉整顆梨). We also offer regional products that suits the local consumer taste. For example, we offer *Sugary Frozen Pear Drink* (凍梨嘎嘎甜), *Cheerful Green Mandarin* (青柑加油柑) and *Refreshing Wampi Lemon Tea* (沁爽黃皮檸檬茶). In addition, we have enriched our product matrix to include snacks and other products to provide consumers with more varieties and cover a wider range of consumption scenarios. Furthermore, we strive to become the most popular tea shop brand for young people. We study the preferences of consumers, especially those of young people, so that we can timely integrate trending ingredients into the traditional oriental tea drinks. We use stylish and eye-catching logo and packaging designs to capture the attention of consumers and drive repeat purchases.

Sustainable store network expansion backed by comprehensive franchisee support platform and mutually beneficial franchise model

We expanded our store network significantly during the Track Record Period from 1,994 as of January 1, 2021 to 7,297 as of September 30, 2023. In the nine months ended September 30, 2023, our system-wide store count increased by 1,990, or 37.5%, since the start of the year, making us the fastest-growing among top five freshly-made tea shop brands in terms of system-wide store count according to CIC. Our sustainable store network expansion is backed by comprehensive franchisee support platform, proven track record of success in the lower-tier markets and mutually beneficial franchise model.

We have a highly standardized and digitalized store management system that provides franchisees with full-life cycle support and supervision and ensure scalability of our store network, including the following key features:

- *Site selection*: we provide training to our franchisees on site selection skills and help assess the viability of candidate sites. The assessment includes risk evaluation, location analysis and expected turnover. We also assist our franchisees with business planning based on site selection. In addition, our comprehensive site selection and network expansion strategy is based on our smart site selection system leveraging the data insights and the recommendation of third-party AI tools.

- *Equipment*: we select and supply equipment designed to suit our store operational models to our franchisees to improve store operating efficiency and product standardization. In particular, we have rolled out smart tea-making machines sourced from quality suppliers in furtherance of such goals.

- *Digitalized operation*: we provide our franchisees with our proprietary all-in-one store operation system, *Auntea Jenny Store Assistant*, which has functions including product ordering and data reporting to empower our franchisees' daily operation.

- *Store promotion*: we provide a wide range of store promotion support, covering various aspect of store promotion including store opening promotion activities, marketing and promotion guidance from our headquarters, connecting with third-party delivery platforms.

- *Training and supervision*: we provide franchisees with comprehensive training and supervision, including pre-opening training, ongoing training on store management and new product launch, and continuous online monitoring and offline store visits.

We believe our mutually beneficial partnership with franchisees provides a launchpad for entrepreneurs eager to succeed. We implement standardized operating procedures to help streamline the use of equipment and processing of ingredient, making it easier for franchisees to operate stores and control costs. As a result, the stores in our network achieved attractive gross profit in the nine months ended September 30, 2023 and a lower initial investment cost as of September 30, 2023 as compared to the average of top five mid-priced freshly-made tea shop brands in China in terms of system-wide store count according to CIC. Our franchisees' confidence in our brand image and store profitability can also be evidenced by the fact that 32.3% or 1,382 of our 4,284 franchisees as of September 30, 2023 opened more than one store. In addition, the proportion of new franchised stores opened by existing franchisees increased from 36.4% in 2021 to 47.3% in the nine months ended September 30, 2023.

Strong nationwide supply chain management and strict quality control

We believe the freshness and timely delivery of quality ingredients are fundamental for offering high quality freshly-made beverages throughout an expansive store network consistently. To support this, we have built up a nationwide supply chain coverage and strong management capabilities to underpin our rapid store network expansion. As of September 30, 2023, our supply chain network includes (i) eight logistics centers, (ii) four equipment warehouses, (iii) nine fresh produce warehouses and (iv) 19 frontline cold-chain storage warehouses. Within our supply chain network, two of the fresh produce warehouses and all of the frontline cold-chain storage warehouses are operated by Independent Third Parties. Our nationwide supply chain coverage enables us to have fresh ingredients delivered to stores two to three times each week, greatly improving store operating efficiency and reducing waste. According to CIC, we ranked first in terms of the city coverage of our warehouses among the five largest mid-priced freshly-made tea shop brands in China in terms of system-wide store count as of September 30, 2023. We have established a digitalized WMS which helps us monitor and analyze inventory in real time, thereby optimizing our inventory management and improving our inventory turnover.

In addition to our nationwide supply chain coverage, we require our franchisees to procure ingredients mostly from our centralized procurement platform. Our centralized procurement platform sources ingredients from selected local high-quality suppliers and our own production facilities, which enables us to establish stringent control over ingredients supplies while improving our bargaining power with suppliers. During the Track Record Period, we sourced ingredients globally, such as grape juice from Spain, passion fruit juice from Vietnam and grapefruit from South Africa. In addition, we work with our suppliers on the research and development of ingredients so that we have better control over the quality and cost of ingredients.

We also implement strict quality control measures for raw materials supplies and store operation. Our strict criteria for choosing raw materials suppliers demonstrate our dedication to food safety and product quality. For example, we implemented a stringent supplier selection and evaluation process and classify our suppliers in four tiers based on the annual performance review grading. We have a stable relationship with our suppliers, which ensures the consistency of the freshly-made beverages we offer to consumers. We also have a production facility in Haiyan, Zhejiang province, with four production lines and an aggregate area of approximately 10,000 sq.m. As of the Latest Practicable Date, our Haiyan Facility is able to produce and process certain ingredients used in our freshly-made beverages, primarily tapioca pearls, taro balls and taro paste and tea. For store operation, we have implemented several measures to safeguard food safety. We have online and offline patrol system to ensure products sold at stores are prepared according to our standards. We also promote smart tea-making machines to improve product standardization.

Unified membership management and diverse marketing strategies

We maintain a unified membership management for all members signed up through online and offline platforms. Such unified management enables us to accurately promote our products to members and streamline our membership reward management. We provide members with differentiated, personalized product recommendations, leveraging our big data analysis capabilities. We retain loyal members with incentive programs which includes tiered membership awards. The number of registered members from Weixin Mini Programs increased from 23.1 million as of December 31, 2021 to 42.2 million as of December 31, 2022 and further to 71.9 million as of September 30, 2023. In the nine months ended September 30, 2023, our average quarterly active user exceeded 16.3 million. In addition to cooperation with third-party online delivery platforms, we directly operate Weixin Mini Programs, which bring us closer to the consumers and gives us invaluable consumer insights. In the nine months ended September 30, 2023, approximately 60.9% of orders directly placed with us were through our Weixin Mini Programs. During the same period, our average quarterly repeat purchase rate was 41.3%.

In order to reach a wider audience and build stronger relationships with consumers, we adopt a multi-channel marketing strategy. We use a variety of channels, including traditional offline stores, Weixin Mini Programs, online and offline advertising, social media and online ordering and delivery platforms, to reach consumers across all scenarios. We also focus on key events, such as holidays, anniversaries and platform promotions, to launch new products and promotion activities and engage consumers. We also use social media to interact with consumers, which helps us to better understand their needs and preferences and develop products that they love. Furthermore, we actively pursue crossover collaborations to broaden our reach and appeal to a diverse audience, effectively boosting our brand visibility and driving our product sales. In January 2024, we launched an IP collaboration campaign with *Mo Dao Zu Shi* (《魔道祖師》), a popular fantasy anime, which was an instant hit among consumers. Approximately one million cups of light milk tea under this collaboration were sold within three days after launch. "*Auntea Jenny* x *Mo Dao Zu Shi*" reached Weibo's Hot Search List twice. The hashtag #*Auntea Jenny x Mo Dao Zu Shi*# attracted over 200 million views on Weibo within three days of launch.

Visionary and experienced senior management team

Our management team possesses long-term strategic vision and an in-depth understanding of the freshly-made tea shop industry in China as well as consumer tastes and preferences. Consisting of a balanced mix of industry experts with substantial experience in other multinational corporations and long-term employees that have been with us since the early stage of our business, they, together with our franchise partners, have spearheaded our rapid growth into the fourth in freshly-made tea shop industry in terms of the system-wide store count as of September 30, 2023 according to CIC. Most members of our senior management team have over 10 years of experience in their respective industries and possess diverse experiences and expertise that complement each other. Our co-founders, Mr. Shan and Ms. Zhou, have over 20 years of experience in sales management and over 10 years as entrepreneurs in freshly-made tea industry. Mr. Shan and Ms. Zhou appreciated that the franchise business model would be the optimal business model in China's freshly-made tea shop industry and has steered our strategy in that direction early on. Also, our executive Director, Mr. Zhou, has approximately 20 years of experience in marketing and management in industry leading companies.

We believe that human resources play a critical role in our success. We seek to hire the right people that are committed to excellence, innovation and integrity, with a passion for our brand and customers. Our philosophy in talent development focuses on offering growth opportunities at all levels within our company to nurture future leaders in the industry.

GROWTH STRATEGIES

Further penetrate existing markets and grow our offline store network and online sales channel

We plan to continue our expansion and replicate our success through further penetration of existing markets throughout China and expand into more lower-tier markets. In order to further penetrate the existing markets, we plan to broaden our offerings through a multi-brand strategy. More specifically, in addition to our core *Auntea Jenny* brand, we launched two complementary brand concepts, *Jenny x Coffee* and *Version Lite*, to capture more consumer demands. *Jenny x Coffee* captures the opportunity in the rapidly growing coffee market in China while covering the needs of consumers throughout the day. We are also actively promoting *Version Lite*, which provides a more price-for-value option of tea drinks for third and lower-tier cities.

For our different brand concepts, we plan to implement tailored strategies:

- For *Auntea Jenny*, we plan to increase the density of our store network in second- and third-tier cities in the next five years. We believe such markets have strong potential and enormous market demand for our products under the *Auntea Jenny* brand. We plan to leverage our understanding of consumer preferences, site selection methodologies and experience from the operation of *Auntea Jenny* to capture such growth potential.

- For *Jenny x Coffee*, we plan to expand primarily through existing *Auntea Jenny* stores and increasing online coverage. The expansion of *Jenny x Coffee* will enable us to capture the demand for drink and food products in the morning and increase our sales per store.

- For *Version Lite*, we plan to expand our store network to cover more cities below third-tier, including those at county-level or below. We plan to seize the market opportunity with our price-for-value products under the *Version Lite* brand.

Our franchisees serve a pivotal role in our network expansion plan. Going forward, we will adhere to our philosophy of "building mutually beneficial partnership with franchisees" to improve the profitability of franchised stores and support franchisees' expansion into the lower-tier markets with more high-quality products and services. We also plan to improve our store operating model to shorten payback period to appeal to potential franchisees in the lower-tier markets. We will continue to improve our franchisee management system, including aspects such as franchisee selection and termination, evaluation, store monitoring, and enhancing franchisee support to further improve the overall operational capabilities of franchisees, reduce payback period and attract and retain high-quality franchise partners.

For online sales channels, we plan to strengthen our cooperation with third-party online platforms. We will also continue to improve our Weixin Mini Programs to enhance the online sales capabilities of stores. We believe this will effectively increase the sales coverage of the stores and further expand our market share.

Enhance research and development capabilities and expand product offerings

We aim to continue to invest in product development, leveraging our deep understanding in consumer preferences and comprehensive methodology for creating hit products. We plan to continue to track consumer and industry trends closely so that we can plan ahead and form accurate strategies for new product launch. More specifically, we plan to focus our product development in the following aspects:

- Improve product flavors, expand product categories and optimize product structures.

- Optimize and upgrade existing products and improve the product-making process based on feedback from consumers.

- Develop freshly-made beverages with local characteristics to meet the tastes of local users.

- Launch seasonal new products based on seasonal consumption trends. For example, fruit tea will be the focus for spring and summer, while milk tea will be the focus for fall and winter.

- Introduce new categories of food and souvenir products based on our brand image, such as tea bags, bread, desserts, light meals and gift boxes.

For ingredients used in our products, we plan to strengthen our research and development capabilities to upgrade and develop new ingredients. We will continue to work with our suppliers in the research and development of ingredients. In addition, we plan to introduce more advanced equipment, recruit high-quality research personnel and improve our management capabilities. In terms of ingredient production techniques, we plan to explore new fruit preservation techniques to ensure the taste and freshness of ingredients while improving consistency and reducing waste. We also plan to establish an integrated research and development center which supports the research and development of products and production techniques.

Strengthen our supply chain capabilities

We aim to continue to improve our supply chain capabilities by optimizing our production, processing, warehousing, logistics and distribution systems. We plan to implement strict inventory management system to improve inventory turnover. To safeguard inventory quality and reduce waste, we plan to timely adjust humidity and other conditions in storage according to the storage requirement of the inventory. Specifically, we plan to improve our supply chain capabilities through the following:

- *Ingredient supply*: We are dedicated to upholding our high standards for ingredient quality and our franchisee ingredient procurement principles. We plan to strengthen our cooperation with high-quality domestic and international suppliers and constantly explore new sources of supply. We expect to increase our bargaining power with suppliers though centralized procurement platform. In addition, we plan to cooperate with upstream suppliers in research and development to improve the quality and taste of ingredients, reduce waste and lower purchase price.

- *Production and processing*: We plan to further improve our production capacity through new production lines and facilities. We plan to increase self-produced ingredients categories and reduce production costs in the future. Specifically, at our Haiyan Facility, we plan to expand the production capacity of ingredients and develop production lines for semi-finished tea drinks. We plan to further improve our production automation and standardization capabilities through the development and promotion of equipment such as smart tea-making machines for milk tea and lemon tea. This will help to streamline the product preparation process and ensure the quality and taste of products, and assist franchisees in achieving cost reduction and efficiency improvement.

- *Logistics and warehousing*: We aim to expand and enhance the efficiency of our cold-chain logistics network based on the density of stores and store opening plans, as well as our existing logistics warehouse layout. We plan to set up more logistics centers and warehouses to ensure that our cold-chain warehouses cover most parts of PRC. We plan to improve logistics transportation efficiency and ensure that our expanded store network can better support the delivery of fresh ingredients. This will further reduce the inventory management costs at stores, improve their operational efficiency and consolidate our supply chain advantages.

Enhance digitalization to increase overall operation efficiency and ensure food safety

We believe that a stable, efficient and scalable information system will become a key to maintaining our core competitive edge. Therefore, we plan to continue to invest in our information technology and digitalization in aspects such as information technology infrastructure, application development and upgrading of financial and human resource management systems. By incorporating information technology in all aspects of our business, we will promote the digitalization of business, improve operational efficiency and collaboration capabilities, reduce costs and further ensure food safety. Specifically, we plan to focus on the following aspects:

- *Membership management*: We plan to actively explore and seize new traffic channels, and continuously attract new members. We plan to use artificial intelligence and algorithms to conduct real-time analysis of member consumption information in order to deepen our consumer insights, so that we can provide better products and services. We plan to offer promotions, products, services and more creative and attractive member benefits tailored to member profiles to enhance member loyalty and activeness and increase repeat purchases.

- *Products*: We aim to manage traffic flow, product development and sales as well as sales scenario around product life cycle. We plan to build product management systems to achieve integrated product management, supply chain management, marketing management and membership management, which will help us optimize our product development, procurement, inventory management and marketing decision-making throughout the product life cycle, improve our product quality, reduce costs and further ensure food safety.

- *Stores*: We plan to build a digital store operation management center, integrate the operation supervision system to improve store operation efficiency and strengthen control. We plan to use AIoT technology to collect information such as consumer feedback, the operating status of equipment, and optimize and improve the operation and service quality of stores.

- *Franchisee management*: We plan to upgrade our self-developed franchisee platform to provide franchisees with full investment cycle services from site selection, store opening, operation to exit. We also plan to upgrade our *Auntea Jenny Store Assistant* so that franchisees can keep better track of various aspects of operations in real time such as procurement, delivery orders, cost management, product listing, member promotion activities and training, which will in turn improve store operation efficiency and further ensure food safety.

Continue with our multi-brand strategy to expand into new markets

We plan to penetrate different market segments and increase market share with diversified freshly-made beverages, consumption scenarios, flexible pricing and brand positioning. We plan to leverage our three distinctive brand concepts. In particular, we believe our *Jenny x Coffee* brand concept will enable us to penetrate into the broad market for coffee drinks, and *Version Lite* will enable us to further penetrate into the lower-tier markets with our price-for-value products. *Jenny x Coffee* is typically embedded in our *Auntea Jenny* stores. We plan to expand our store network to include standalone *Jenny x Coffee* stores to capture the opportunities in the rapidly growing coffee market in China. For *Version Lite*, we plan to upgrade the brand concept to version 2.0 with eye-catching logo, upgraded store design and new marketing initiatives.

Chinese tea culture has a long history and profound heritage. We aim to take a prudent approach for global expansion, considering factors such as consumer base, local culture, capabilities for commercial resource integration, legal and regulatory environment, and open overseas stores in places such as Malaysia and the Philippines in Southeast Asia and North America.

Continue to promote brand image and recognition

We have established a brand management team which is responsible for brand creation, marketing and intellectual property protection. In the future, we plan to increase our investment in brand building and marketing, and continue to consolidate our *Auntea Jenny* IP. We plan to enhance our brand image through our own IP and crossover collaborations. We plan to open a small number of self-operated stores in locations such as popular shopping malls and popular check-in spots to promote our brand. We plan to make use of social media platforms, such as Douyin, Weixin and Xiaohongshu, to seize the opportunity of key events, such as holidays, anniversaries and platform promotions, to launch new products and engage consumers. By combining these events with new product launches, we expect to increase brand exposure, drive traffic to stores and further reach consumers. We also plan to use a variety of promotional methods, such as partnering with key opinion leaders, organizing crossover collaboration events and trend marketing to continuously narrow the gap between our brand and our target consumers.

OUR CORE CONCEPT

We are a leading and fast-growing freshly-made beverage company, operating the fourth largest network of freshly-made tea shops in China as of September 30, 2023 according to CIC, with extensive reach into the lower-tier markets. We offer healthy and freshly-made beverages made from premium loose-leaf tea, freshly grounded coffee beans or yogurt, with additional ingredients such as fresh fruits, NFC juice, milk and various types of grains in our wide variety of product offerings. The core elements of our brand concept comprise the following:

- quality and fresh ingredients;
- innovative and healthy products;

- casual and modern store design;
- affordable pricing; and
- consistent quality.

We currently offer three brand concepts:

- *Auntea Jenny (滬上阿姨)*. *Auntea Jenny* is our principal brand concept launched in 2013, under which we offer a wide range of products including fresh fruit tea, milk tea with toppings, light milk tea, yogurt shakes and snack packs. *Auntea Jenny* stores are primarily located streetside with a small portion of stores located in shopping malls and public transportation terminals. We aim to bring healthy and freshly-made products with affordable prices to consumers across China, particularly those in third and lower-tier cities. The price range for key products under this brand concept is typically RMB7 to RMB22 per item.

- *Jenny x Coffee (滬咖)*. Launched in 2022, *Jenny x Coffee* is typically embedded in our *Auntea Jenny* stores. We offer various types of coffee under *Jenny x Coffee*, and we plan to roll out "oriental latte (東方拿鐵)," including coffee latte, tea latte and coffee-tea latte to broaden our addressable market. The price range for key products under this brand concept is typically RMB13 to RMB23 per item.

- *Version Lite (輕享版)*. *Version Lite* is a brand concept launched in 2023 that provides a more price-for-value option of tea drinks for consumers in third and lower-tier cities. Products offered under *Version Lite* are primarily milk tea with toppings, light milk tea, fruit tea and ice cream. *Version Lite* stores are primarily located streetside. Compared to *Auntea Jenny*, *Version Lite* offers better flexibility in pricing and store location selection to allow further penetration into county-level cities. The price range for key products under this brand concept is typically RMB2 to RMB12 per item. As of the Latest Practicable Date, all our *Version Lite* stores are operated under version 1.0 *(滬上阿姨輕享版)*. We plan to upgrade our *Version Lite* brand concept to version 2.0 with eye-catching logo, upgraded store design and new marketing initiatives to capture demands from the lower-tier markets.

As of September 30, 2023, our store network comprised 7,297 stores, among which 7,257 were *Auntea Jenny* stores. We launched *Jenny x Coffee* in 2022 and *Version Lite* in 2023. As of September 30, 2023, we had 1,964 *Auntea Jenny* stores that offered products under our *Jenny x Coffee* brand concept and 40 *Version Lite* stores in our store network.

OUR CONSUMER EXPERIENCE

We endeavor to offer delicious freshly-made beverages to consumers in an effortless manner in stylish teahouses conveniently located across the country. We offer a wide range of refreshing and flavorful beverages that cater to different tastes and preferences. In addition, consumers are able to adjust the sweetness and ice levels, and add various toppings to the beverages according to their own preferences. Aside from tea-based drinks, we offer yogurt, coffee and snacks which broadens the consumers' options and further enriches their experience. We also evolve our menu items in accordance with prevailing market trends. In the second half of 2023, in response to the latest consumer preferences for healthy milk tea drinks, we began to offer light milk tea — tea blended with fresh milk without any toppings. During the Track Record Period, our product research and development team continues to innovate, supporting the launch of over 100 new products in each of 2021, 2022 and 2023, while continuously upgrading the existing ones. In addition, we offer a seamless and convenient shopping experience for consumers through efficient store planning and the use of a wide range of technologies such as digital payment and online ordering systems. To ensure uniform design throughout our network, we provide store design plans and standards for our franchised stores. We currently offer three brand concepts, *Auntea Jenny*, *Jenny x Coffee* and *Version Lite*, each catered to different consumer preferences.

Auntea Jenny

Products

China has a long history of tea, and the contemporary way of tea drinking is blending milk and various types of toppings and ingredients in tea, ranging from tapioca pearls to fresh fruit and various types of grains. In 2013, we opened the first *Auntea Jenny* store offering "grainy milk tea" — milk tea with grain toppings. These beverages are best served hot, providing a warm and comforting choice during chilly winters, particularly in northern China. This kick-started our initial expansion of store network in northern China. In 2019, we began to offer fresh fruit tea which was welcomed by our customers and enabled our rapid nationwide expansion, including the southern regions. Fresh fruit tea is a healthy option that can be enjoyed by consumers throughout the year, with particularly strong market potential during the hot and humid summer months in southern China. We also offer yogurt shakes, a healthy option for many. We use large chunk of fruits in our yogurt shakes, which adds freshness to healthiness. In the second half of 2023, in response to the latest consumer preferences for healthy milk tea drinks, we began to offer light milk tea — tea blended with fresh milk without any toppings. In contrast to the heavier taste of milk tea that comes with dairy toppings such as whipped cream cheese or other extra toppings, light milk tea is more refreshing with a more prominent tea flavor. We have streamlined our formulas and used fresh milk and simpler ingredients to signal "lightness" and healthy attributes to our consumers. We place great emphasis on health and quality aspects of our products, using premium ingredients and very little additives.

We offer a wide range of products with fresh fruit tea, milk tea with toppings, light milk tea and yogurt shakes being the major menu items. We also make regular seasonal updates to the menus. The products offerings, including the release of new products in the franchised stores, are based on guidance from us. In addition to staple items such as *Mango Pomelo Sago* and *Thick Taro Paste Tapioca Pearl Milk Tea* that prove popular throughout the year, we also offer seasonal products that cater to consumers' seasonal preferences such as *Rosy Green Grapes*, *Mung Bean Milk Smoothie* and *Freshly Stewed Whole Pear*. The price range of our existing freshly-made beverages is typically RMB7 to RMB22 per item. Consumers can adjust the amount of ice and sugar in their beverages, and customize their beverages with additional toppings with incremental charges. We offer a wide range of toppings, such as tapioca pearls, taro paste, taro balls, rose jelly and coconut jelly, which create different texture for the beverages. Consumers can mix and match the drink base and toppings to create various types of freshly-made beverages. Set forth below are pictures of our major beverage products as of September 30, 2023.

Key products – Staple


Mango Pomelo Sago (楊枝甘露)


Thick Taro Paste Tapioca Pearl Milk Tea (厚芋泥波波奶茶)


Peach Pomelo (桃桃蜜柚)


Avocado Almond Yogurt Shake (牛油果巴旦木酸奶昔)


Light Jasmine Milk Tea (淺淺清茉)

Key products – Seasonal


Rosy Green Grapes (仙仙玫瑰青提)


Mung Bean Milk Smoothie (綠豆牛乳冰)


Strawberry Daifuku (超哆草莓大福)


Freshly Stewed Whole Pear (鮮燉整顆梨)

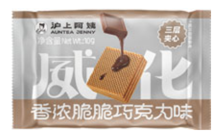

Grain Jelly Succulent Grape (多肉葡萄金磚)

In addition to freshly-made beverages, we also offer snack products such as wafers, potato chips and toast. In particular, we rolled out the *Little Milky Brick Toast* (小奶磚吐司) in March 2023 which achieved popularity as evidenced by the 6 million packets sold from March to December 2023. Our snack products are also sold online on e-commerce platforms. The price range of our snack products is typically RMB1 to RMB14 per item. Set forth below are pictures of our major snack products as of September 30, 2023.

Snacks

Little Milky Brick Toast (小奶磚吐司)

Matcha Mousse Cookies (抹茶慕斯曲奇)



Rich Crunchy Chocolate-flavored Wafers (香濃脆脆巧克力味威化餅乾(袋))

Click Potato Chips Original Flavor (咔嚓薯條原味)

Store Design

The latest design of *Auntea Jenny* stores features our stylish *Auntea Jenny* brand image, and using green and grey as the main colors for the interior of stores. Through our carefully designed store, *Auntea Jenny* stores offer consumers the venue to refresh themselves and explore new tastes and experiences. We offer a seamless and convenient in-store ordering experience for our customers through efficient store planning and the use of a wide range of technologies such as digital payment and online ordering systems. We created a dedicated section in our system-wide stores to serve customers with pick-up and delivery orders, allowing them to conveniently place orders online in advance and pick up their orders without waiting in a queue.

Set forth below is a picture of our *Auntea Jenny* store.

Jenny x Coffee

Jenny x Coffee is typically embedded in our *Auntea Jenny* stores. We offer various types of coffee under *Jenny x Coffee*, and we plan to roll out "oriental latte," including coffee latte, tea latte and coffee-tea latte to broaden our addressable market. We combine western coffee with oriental taste and created Chinese style coffee products such as *Alpine Cedar Latte* (高山雪松拿鐵) and *Jasmine Long Jing Latte* (茉莉龍井拿鐵). We take a step further by mixing fruit, tea and coffee to create fusions such as *Peach Oolong Tea Lemon Americano* (白桃烏龍暴打檸美式). The price range for key products under this brand concept is typically RMB13 to RMB23 per item. We also offer snacks that are sold separately or together as a combo with coffee. Set forth below are pictures of our major products offered under *Jenny x Coffee* as of September 30, 2023.

Key products

Selected Americano (甄選美式咖啡)

Jenny x Coffee Selected Latte (滬咖精選拿鐵)

Jasmine Long Jing Latte (茉莉龍井拿鐵)

Alpine Cedar Latte (高山雪松拿鐵)

Peach Oolong Tea Lemon Americano (白桃烏龍暴打檸美式)

Version Lite

Products

Our *Version Lite* brand concept offers milk tea with toppings, light milk tea, fruit tea and ice cream. Compared to *Auntea Jenny*, products offered under *Version Lite* have simpler recipes with lower prices. The price range for key products under this brand concept is typically RMB2 to RMB12 per item. Set forth below are pictures of our major products offered under *Version Lite* as of September 30, 2023.

Key products

Panda Milk Tea
(熊貓奶茶)

Osmanthus Flower Mini Riceballs
(桂花小丸子)

Duoduo Peach
(多多桃桃)

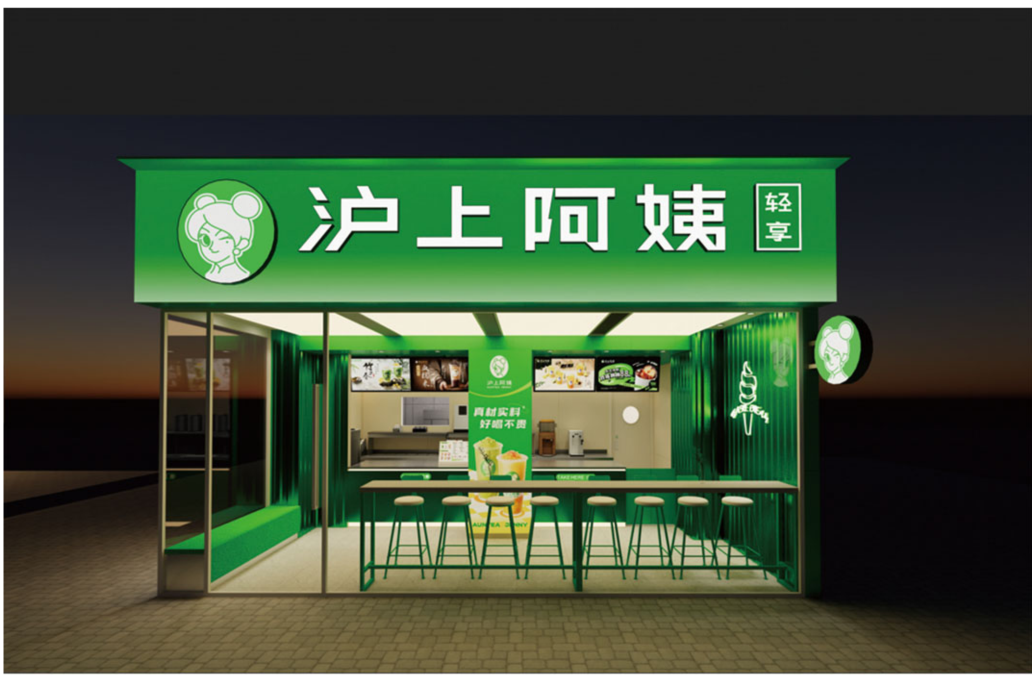
Berry Milk Froth
(莓果奶福)

Ice Cream
(冰激凌)

Store Designs

The current design theme of *Version Lite* stores features freshness, with green being the main theme color. Digital payment and online ordering systems are also used in our *Version Lite* stores to create a seamless ordering experience in-store. As of the Latest Practicable Date, all our *Version Lite* stores are operated under version 1.0. We plan to upgrade our *Version Lite* brand concept to version 2.0 with eye-catching logo, upgraded store design and new marketing initiatives to capture demands from the lower-tier markets.

Set forth below is a picture of our *Version Lite* 1.0 store.

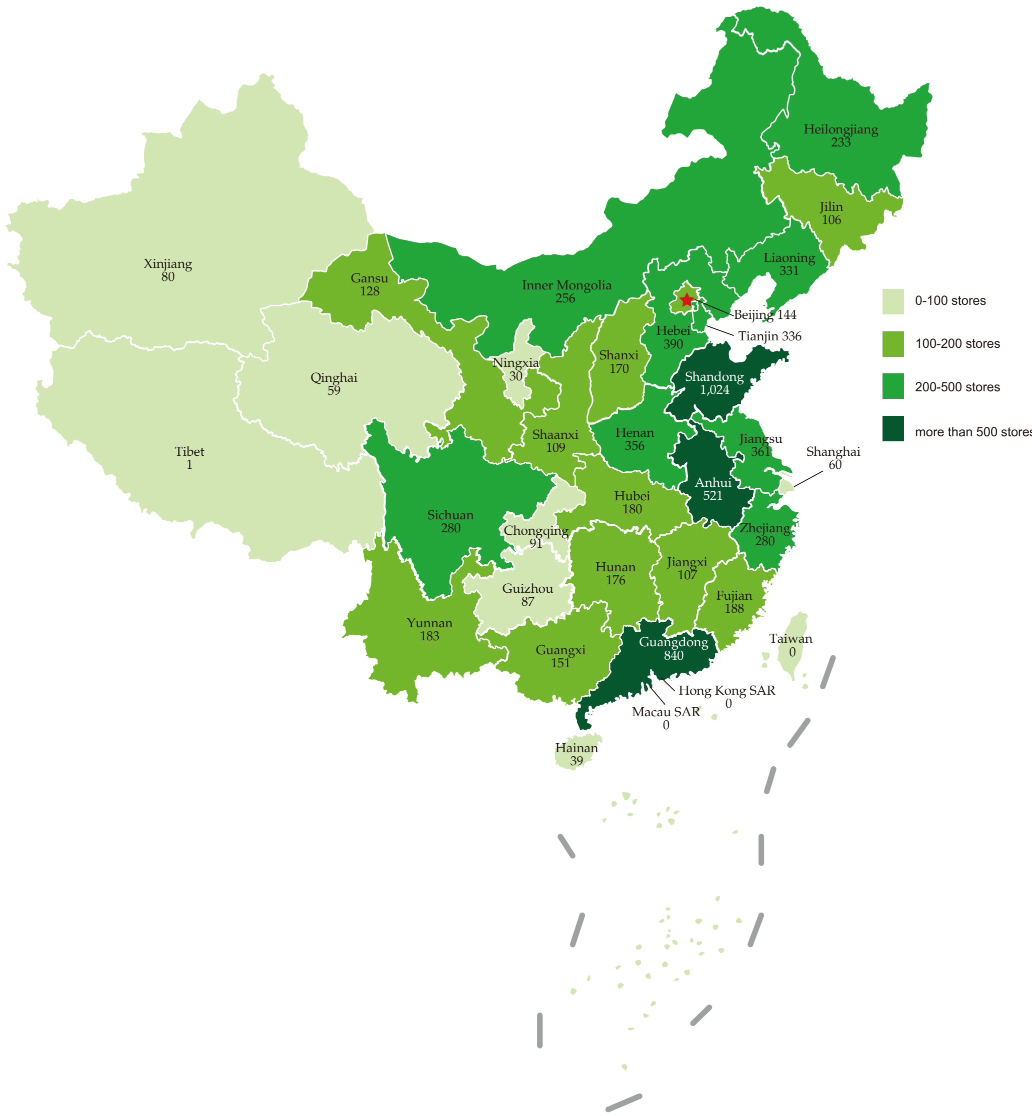


OUR STORE NETWORK

We opened the first store in Shanghai in July 2013 offering grainy milk tea, which provided consumers with a warm and comforting choice during chilly winters particularly in northern China. This kick-started our initial expansion of store network in northern China. In 2019, we began to offer fresh fruit tea which was welcomed by our customers and enabled our rapid nationwide expansion, including the southern regions. We launched *Jenny x Coffee* in 2022, which is typically embedded in our *Auntea Jenny* stores to offer consumers traditional and tea-flavored coffee, and *Version Lite* in 2023 to offer consumers a more price-for-value tea drink for third and lower-tier cities. As of September 30, 2023, our store network of 7,297 stores covered all four centrally administered municipalities and over 300 cities in five autonomous regions and 22 provinces in China. The table below sets forth a breakdown of the stores in our network by self-operated stores and franchised stores as of December 31, 2021, 2022 and September 30, 2023:

	As of December 31,				As of September 30,	
	2021		2022		2023	
Franchised stores	3,711	98.3%	5,244	98.8%	7,245	99.3%
Self-operated stores	65	1.7%	63	1.2%	52	0.7%
Total	**3,776**	**100.0%**	**5,307**	**100.0%**	**7,297**	**100.0%**

The map below illustrates our store network in China as of September 30, 2023:



For illustrative purpose only, the map (Map Review Number: GS(2022)4308) is presented to illustrate our store network in China as of September 30, 2023.

Store Location and Planning

As a result of our product offerings and developing strategies, our store network has a balanced coverage in northern and southern China. Set forth below is a breakdown of our system-wide stores by geographical location, as divided by the Qinling-Huaihe Line and its natural extension, the typical division line of northern and southern China:

	As of December 31,				As of September 30,	
	2021		2022		2023	
Northern China[1]	2,186	57.9%	2,847	53.6%	3,752	51.4%
Southern China[1]	1,590	42.1%	2,460	46.4%	3,545	48.6%
Total	**3,776**	**100.0%**	**5,307**	**100.0%**	**7,297**	**100.0%**

Note:

(1) Northern China stores include stores (i) in provinces located in the north of Qinling-Huaihe Line, and (ii) in provinces with more than 50% of the area located in the north of the Qinling-Huaihe line, namely Shaanxi Province and Henan Province. Southern China stores refer to the rest of stores in China.

We place great emphasis on the lower-tier markets. As of September 30, 2023, with approximately 49.0% of stores in our network located in third and lower-tier cities, we had leading market presence in the lower-tier markets among mid-priced freshly-made tea shop brands in terms of system-wide store count according to CIC. In the nine months ended September 30, 2023, 50.4% of new stores within our network were opened in third and lower-tier cities. Set forth below is a breakdown of our system-wide stores by city tier:

	As of December 31,				As of September 30,	
	2021		2022		2023	
First-tier cities	319	8.4%	403	7.6%	557	7.6%
New first-tier cities	879	23.3%	1,272	24.0%	1,646	22.6%
Second-tier cities	736	19.5%	1,067	20.1%	1,516	20.8%
Third and lower-tier cities	1,842	48.8%	2,565	48.3%	3,578	49.0%
Total	**3,776**	**100.0%**	**5,307**	**100.0%**	**7,297**	**100.0%**

The freshly-made tea shop market in third and lower-tier cities in China is the largest and is expected to be the fastest-growing segment between 2022 to 2027, with significant potential for future growth according to CIC. We plan to continue our expansion and replicate our success through further penetration of existing markets throughout China and expand into more third and lower-tier cities.

Location Selection

We consider the following criteria when selecting location for a new store:

- *Location of the business district.* Our system-wide stores are mainly located in mature business districts and shopping malls. In addition, we also seek to open stores near terminals of public transportation such as railroads, bus stops or airports. Certain mature franchisees may have certain flexibility in the choice of new store location.

- *People flow in the trading area.* In particular, we consider the spending pattern of the people in the area, peak hours and people flow-line; and

- *Location of the shop within the trading area.* We consider the shop's proximity to major people flow-line, location of the logo board and its visibility and the future development of the trading area.

In addition, our comprehensive site selection and network expansion strategy is based on our smart site selection system leveraging the data insights and the recommendations from third party AI tools. When franchisees seek to open a new store, we typically provide candidate sites for franchisees to choose from. Upon approval of the proposed store site, the franchisee is required to operate the franchised store in the designated premise as specified under the relevant franchise agreement. Our franchisees are also responsible for signing the lease for the premise. We have the discretion to determine the proper distance between stores based on our market analysis as well as commercial considerations to minimize cannibalization among stores.

Operation Management

Standardization

We endeavor to drive best-in-class store operations and overall consumer satisfaction to achieve long-term growth through standardization. Standardized process ensures the operation consistency among the stores in our system. This standardized store design, menu, pricing and image we promote throughout our system also allows for easy transfer of knowledge when opening new stores, providing scalability and driving our expansion. We have established a comprehensive set of standards and specifications relating to each aspect of store operations, including store design, uniforms, menu items, pricing, promotional activities, advertisements, product preparation, facility maintenance, cleanliness of the premises and employee conduct. We also perform periodic and spot inspections and examinations to ensure strict adherence to these standards and specifications.

We are committed to ensuring the standardization of ingredients used in our products. We safeguard such core value by requiring members of our store network to procure ingredients mostly from our centralized procurement platform which sources ingredients from selected high-quality suppliers and our own production facility. In addition, for fruit ingredients that are more difficult to be standardized, we take special steps before they reach the stores. Such fruit ingredients are selected factoring in anticipated ripening changes during transport. We also perform additional preparation steps to optimize their condition to ensure they arrive at stores at their peak, guaranteeing consistent drink flavor across all locations.

Our Management and Supporting Platform

To ensure standardization of quality and services among stores in our network, and to promote operation efficiency and profitability of our system-wide stores, we have established a management and supporting platform. Below is a summary of our management and supporting platform:

- *Site selection.* We provide training to our franchisees on site selection skills and help assess the viability of candidate sites. The assessment includes risk evaluation, location analysis and expected turnover. We also assist our franchisees with business planning based on site selection.

- *Store design and renovation support.* We provide store design plans including floor plan, rendering and construction drawings. Franchisees have the choice to carry out constructions on their own or engage third-party construction team.

- *Equipment*: We provide stores with quality equipment sourced from carefully selected suppliers. We select and supply equipment designed to suit our store operations to our franchisees to improve store operating efficiency and product standardization. In particular, we are rolling out smart tea-making machines in our store network in furtherance of such goals. As we continued to optimize the store layout and procure cost-effective equipment with lower average selling prices, spending on equipment in connection with opening a new store continued to decrease during the Track Record Period. This further strengthened our low-initial investment value proposition to potential franchisees, making our franchising terms even more attractive.

- *Store opening support.* Our store operations teams provide support and guidance for franchisees in planning their initial opening such as devising marketing campaigns, staff orientation and store opening supervision.

- *Supply chain.* As our effort to standardize the quality of freshly-made beverages throughout our network, we require our franchisees to purchase the ingredients mostly from our centralized procurement platform which sources ingredients from selected high-quality suppliers and our own production facility. As of September 30, 2023, our supply chain network includes (i) eight logistics centers, (ii) four equipment warehouses, (iii) nine fresh produce warehouses and (iv) 19 frontline cold-chain storage warehouses. Within our supply chain network, two of the fresh produce warehouses and all of the frontline cold-chain storage warehouses are operated by Independent Third Parties. Such supply chain network ensures timely distribution of fresh ingredients. All our fresh produce warehouses have ambient, refrigerated and freezer storage facilities. The cold-chain storage warehouses are able to cover all stores nationwide, allowing ingredients to be delivered to stores two to three times each week. In addition, we trace the origin of our upstream raw material providers to strictly control the quality of the raw materials procured.

- *Product offering and development.* During the Track Record Period, our product research and development team continues to innovate, supporting the launch of over 100 new products in each of 2021, 2022 and 2023, while continuously upgrading the existing ones.

- *Digitalized operation*. We provide stores within our network with our proprietary all-in-one store operation system, *Auntea Jenny Store Assistant*, which has functions including product ordering and data reporting to empower stores' daily operation.

- *Delivery support.* We aim to obtain the best rates and discount for stores within our network from third-party delivery platforms, and carry out activities on holidays and festivals to attract and retain online consumers.

- *Training and supervision.* We provide franchisees with comprehensive training and supervision, including pre-opening training, ongoing training on store management and new product launch, and continuous online monitoring and offline store visits. With the support of our headquarters and regional teams, we are able to empower and serve franchisees more efficiently and effectively to drive their sales growth. Our regional teams ensure the QSC (quality, service and cleanness) of the stores through food safety supervision and assessment. We also provide support to franchisees on the daily management of their stores.

- *Store promotion.* We provide a wide range of store promotion support, covering various aspects of store promotion including store opening promotion activities, marketing and promotion guidance from our headquarters, connecting with third-party delivery platforms. Furthermore, we collaborate with brands in other industries, formulate and implement marketing campaigns to promote our brand. Powered by our publicity designs customized for specific regions and festivals, we are able to achieve widespread community penetration of our brand image. In addition, we have arranged training sessions and allocate supervisors to guide our franchisees about how to gain more exposure and attract consumers. This systematic supporting model improves our franchisees' sense of marketing and enables them to implement more targeted promotion strategies.

Pricing

We adopt different pricing strategies for different brand concepts in our store network. In general, products at *Auntea Jenny* and *Jenny x Coffee* target the mid-end market, while *Version Lite* targets the mass market. We intend to set prices that reflect our value propositions. Our pricing decisions for a product take into account various pertinent factors. These include the purchasing power of local consumers, prevailing market prices, ingredient and supply costs, market demand and the competitive landscape, among other factors.

Evaluation

We actively manage our store network. We conduct periodic evaluation of the performance of each store in our systems as well as their adherence to our uniform standards or polices. Considering the nature of our business operations, our evaluation process combines the traditional examination and inspection on the operation procedure, such as food preparation and cleanliness of the premises. On the other hand, we also analyze the comprehensive data compiled by our advanced information technology system to help stores improve their operation and management. For example, our system visualizes the operating data of each store, enabling our franchisees to better adjust their business strategies. Our established technological infrastructure also facilitates us in benchmarking among the stores in our system, optimizing franchisee support.

Online Platforms

To allow consumers to enjoy our products more easily and conveniently, we and our franchisees offer customers with options of ordering online through diversified channels, such as our Weixin Mini Programs and third-party delivery platforms fulfill customer orders with speedy and reliable delivery services.

For delivery orders placed via third-party delivery platforms, we and our franchisees typically rely on such platforms to deliver our products to customers. Although our franchisees sign the collaboration agreements with third-party delivery platforms directly, we negotiate with those third-party platforms as an established brand for more favorable terms for our franchisees before signing. As an established brand, third-party delivery platforms will provide us and our franchisees with more exposure, discounts and lower commission charge.

In addition to cooperation with third-party online delivery platforms, we directly operate Weixin Mini Programs, which bring us closer to the consumers and gives us invaluable consumer insights. In 2021, we began to introduce an online ordering function integrated in our official Weixin Mini Programs, through which consumers may place orders online and pick up beverages at offline stores by themselves. For consumers' delivery orders placed via our Weixin Mini Programs, we engage third-party delivery agencies to deliver our products to them. In the nine months ended September 30, 2023, approximately 60.9% of orders directly placed with us were through our Weixin Mini Programs.

Performance

The following table sets forth the key performance indicators relating to our store network during the Track Record Period.

	As of/Year ended December 31,		As of/Nine months ended September 30,
	2021	2022	2023
Auntea Jenny			
Total GMV (RMB in thousands)	4,161,087	6,067,897	7,149,494
Total number of orders (thousands)	157,311	226,511	269,258
Total store count	3,776	5,307	7,257
GMV per order (RMB)	26	27	27
Jenny x Coffee			
Total GMV (RMB in thousands)	–	77	24,404
Total number of orders (thousands)	–	3	776
Total store count(1)	–	9	1,964
GMV per order (RMB)	–	26	31
Version Lite			
Total GMV (RMB in thousands)	–	–	9,056
Total number of orders (thousands)	–	–	587
Total store count	–	–	40
GMV per order (RMB)	–	–	15
All brands			
Total GMV (RMB in thousands)	4,161,087	6,067,973	7,182,954
Total number of orders (thousands)	157,311	226,514	270,621
Total store count	3,776	5,307	7,297
GMV per order (RMB)	26	27	27

Note:

(1) During the Track Record Period, *Jenny x Coffee* stores were embedded in our *Auntea Jenny* stores.

OUR FRANCHISE-FOCUSED BUSINESS MODEL

Our business model comprises an integrated franchise system backed by a comprehensive supporting platform. In addition, we strategically open self-operated stores to establish our presence, develop brand recognition and gain market intelligence for new and underpenetrated markets before engaging or introducing franchisees in those markets. We also leverage our self-operated stores as knowledge bases for our franchised stores to provide guidance in aspects such as customer services, store operations, quality control and other best practices. The core of our business model is cooperation with entrepreneurial franchisees who are committed to our concept and highly motivated to grow our brand and store network. We seek to maintain close and long-term mutually beneficial relationships with our franchisees by establishing a management and supporting platform. See "— Our Store Network — Operation Management — Our Management and Supporting Platform." During the Track Record Period, our successful business model propelled the rapid growth of our *Auntea Jenny* stores throughout China. Going forward, we plan to utilize our franchise business model to further expand our store network. Meanwhile, despite our rapid growth, we have consistently maintained our ability to closely monitor the performance and operations of our franchised stores through our highly efficient and comprehensive supporting infrastructure to ensure the transparency, consistency and quality of their operations.

During the Track Record Period, we generated a substantial majority of revenue from our franchising operation, mainly consisting of (i) sales of goods, including ingredients, packaging and other raw materials, as well as equipment, to franchisees, and (ii) franchising service fees for operation, training, marketing and other various support, which are primarily linked to the procurement amount by our franchisees. As a result, we have a diverse revenue source from a large customer base including our franchisees and consumers at our self-operated stores. Our revenue derived from our five largest revenue contributors accounted for less than 5% of our total revenue for each of 2021, 2022 and the nine months ended September 30, 2023.

Our Franchise System

The franchise model is a well-established and commonly used business model in the freshly-made tea shop industry. Under the franchise model, the franchisee pays us for our concept, strategy, marketing, operating system, training, purchasing power and brand recognition and enjoys the benefit of a centralized supply chain management, including reduced costs for raw material procurement and high-quality supplies. Key benefits of franchise model include:

- an asset-light and cost-effective way for us to expand business and allocate resources more efficiently to other critical business aspects, such as franchise support, product development, supply chain management and risk management;

- long-term collaboration with franchisees that are fully incentivized to achieve business targets and protect the brand equity;

- faster national expansion, regional penetration and market share gains with lower capital requirements; and

- effective utilization of franchisee's entrepreneurial spirit, local expertise, market intelligence and business networks (including achieving lower rent and labor costs and the knowledge on local consumer dynamics).

Selection and Development of Franchisees

The success of our business model is closely tied to the success of our franchisees. We consider our franchisees our partners in business, and we prudently select our franchisees based on a number of criteria, including, among other things:

- passion toward tea culture and the freshly-made tea beverage industry;
- entrepreneurship;
- motivation;
- commitment to our corporate philosophy and brand concept;
- adaptability to teamwork;
- local knowledge and expertise; and
- financial condition.

While a portion of our new stores was opened by existing franchisees, attracting new franchisees is also crucial to our future success. We attract potential franchisees primarily through word-of-mouth referrals and social media on our established reputation, attractive value proposition. Certain of our franchisees with deep local knowledge also refer suitable franchisee candidates, and we compensate these franchisees with additional rebates for successful referrals.

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 the stores within our network.
- Before a store is open for business, we provide 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.

The table below sets forth the movement of the franchised store count for all brands for the periods indicated:

	Year Ended/ As of December 31,		Nine Months Ended/ As of September 30,	
	2021	**2022**	**2022**	**2023**
Franchised store count at the beginning of the year/period	1,982	3,711	3,711	5,244
Number of franchised stores opened during the year/period	1,939	1,926	1,423	2,299
Number of franchised stores closed during the year/period	(210)	(393)	(277)	(298)
Franchised store count at the end of the year/period	**3,711**	**5,244**	**4,857**	**7,245**

The table below sets forth the movement of the number of our franchisees for all brands for the periods indicated:

	Year Ended/ As of December 31,		Nine Months Ended/ As of September 30,	
	2021	**2022**	**2022**	**2023**
Number of franchisees at the beginning of the year/period	1,337	2,417	2,417	3,260
Number of franchisees onboarded during the year/period	1,195	1,040	756	1,322
Number of franchisees who ceased store operations during the year/period	(115)	(197)	(143)	(298)
Number of franchisees at the end of the year/period	**2,417**	**3,260**	**3,030**	**4,284**

During the Track Record Period, we experienced rapid increase in the number of franchisees and franchised store count. In 2021, 2022 and the nine months ended September 30, 2022 and 2023, the closing balance of our franchisees was 2,417, 3,260, 3,030 and 4,284, and the closing balance of our franchised stores was 3,711, 5,244, 4,857 and 7,245, respectively.

Reasons for the franchisees to cease store operations during the Track Record Period principally include (i) expiration of lease for the store and that the franchisees were not able to secure alternative locations, (ii) termination of franchise agreements by us due to expiration of franchise agreements or contract breach by relevant franchisees and (iii) franchisees not able to operate the stores at a desirable profit.

We enjoy a high level of acceptance and trust in our brand image from our franchisees and many of our franchisees open more than one store. The table below sets forth the number of new stores opened by our existing franchisees in the Track Record Period and as a percentage of the total number of new stores opened during that year/period:

	Year ended December 31,				Nine months ended September 30,	
	2021		2022		2023	
New stores opened by our existing franchisees during the year/period	706	35.4%	895	46.0%	1,087	47.3%

During the Track Record Period, certain of our franchisees were our former employees or connected persons. As of December 31, 2021, 2022 and September 30, 2023, we had three, four and 11 franchisees that were our former employees, and four, five and 21 of our franchised stores were beneficially owned by such persons. GMV generated from such franchised stores accounted for approximately 0.1%, 0.1% and 0.2% of our total GMV in 2021, 2022 and the nine months ended September 30, 2023. As of December 31, 2021, 2022 and September 30, 2023, we had four, four and four franchisees that were our connected persons, and 14, 17 and 22 of our franchised stores were beneficially owned by such persons. GMV generated from such franchised stores accounted for approximately 0.4%, 0.3% and 0.3% of our total GMV in 2021, 2022 and the nine months ended September 30, 2023. The relevant former employees and connected persons became our franchisees as they recognized our brand and products based on their work experience or collaboration with us. We believe the collaboration with such franchisees was mutually beneficial due to the following reasons: (i) we had established trust with such persons and they are familiar with our business, and (ii) they are able to support our business expansion by opening stores more efficiently with a proven record of experience and competency. We applied the same selection criteria and procedures when onboarding these franchisees. The franchise arrangements and supply agreements that we entered into with these franchisees are entirely identical to those with any other independent franchisees. As we accumulate more experience and continuously expand our business, we attract more franchisees and had reduced such collaborations with relevant former employees and connected persons. Save as disclosed above, during the Track Record Period, to the best of our knowledge, our franchisees were Independent Third Parties and we did not have any other franchisee who was our employee or connected person.

Franchising Arrangements

We enter into franchise agreements with our franchisees, with each franchise agreement typically allowing a franchisee to open only one store. For franchisees who open more than one store, we enter into agreement each time they open a new store. Our franchise agreements have a standard set of terms and conditions. The initial term of our franchise agreement is typically three years, subject to renewal annually. During the Track Record Period, we typically renew these franchise agreements with our franchisees when the agreements expire. Under our franchise arrangement, our franchisees are responsible for signing the lease, operating the store and hiring staff. We, on the other hand, are responsible for providing store design and decoration concept and a list of qualified contractors (the relevant construction and/or furnishing cost is borne by the franchisees), equipment selection, menu design, marketing the brand and provide various administrative support and supervision. We are committed to reducing the initial investment of our franchisees, which will facilitate the expansion of our franchised stores.

Our franchisees typically agree to pay us the following initial and recurring payments for each franchised store:

Initial Payments

(i) a non-refundable upfront franchise fee at initial signing, which may be paid in installments. We recognize the amount as our revenue over the duration of the franchise period, which is typically three years;

(ii) a fixed refundable franchise deposit at the beginning of the franchise period to ensure our franchisees' full compliance with the terms set forth in the franchise agreement. Such deposit remains the same for each store regardless of the number of stores the franchisee has opened. The deposits are not recognized as our revenue; and

(iii) full or partial purchase cost for equipment. The procurement amount for equipment paid by our franchisees are recognized as our revenue of sales of goods to franchisees.

Recurring Payments

(i) purchase cost for ingredients, packaging and other raw materials; and

(ii) franchising service fees for operation, training, marketing and other various support, which are primarily linked to the procurement amount by our franchisees.

Salient terms other than the initial payments mentioned above in the franchise agreement typically include the following:

- *Terms.* The initial term of our franchise agreement is typically three years, subject to renewal annually. The renewal of the franchise agreements is subject to our approval.

- *Store location/anti-cannibalization.* Each of our franchisees is required to operate the franchised store in the designated premise as specified under the relevant franchise agreement. We have the discretion to determine the proper distance between the stores based on our market analysis as well as commercial considerations to minimize cannibalization among stores.

- *Unified product catalog and retail price*. The products sold in the franchised stores must be within the scope of our unified product catalog. The franchisees are not allowed to adjust the types and names of the products to be sold without our authorization. The franchisees must sell the products at the unified retail price set by us and is not allowed to lower or raise the selling price by themselves.

- *Intellectual properties.* Our franchisees are authorized to use our brand, trademarks and other intellectual property rights within the designated premises. They shall protect our credibility and reputation and keep our corporate information, business know-how and trade secrets in strict confidentiality during business operation and marketing activities. The franchised stores are generally required to adopt our uniform store decorations, product display and other promotional designs.

- *Non-competition.* Our franchisees shall not operate any business to sell products identical or similar to ours within the term of the franchise agreement on its own or through partnership with others.

- *Termination.* The franchise agreement may be terminated under the following circumstances, among others: (i) franchisees may unilaterally terminate the agreement within seven days of signing; (ii) we may terminate the franchise agreement without refund of the franchise fee and deposit if there is a material breach of the agreement by such franchisee; and (iii) the franchise agreement may also be terminated in advance upon mutual agreement.

Procurement by Franchisees

Our franchised stores are required to procure ingredients mostly from our centralized procurement platform which sources ingredients from selected high-quality suppliers and our own production facility. We typically agree with our franchisees in respect of procurement as set out below:

- *Order placement and payment.* Each of the franchisees shall submit orders via our proprietary order management system and, unless agreed by us in written form, is required to remit full payment for the goods before completion of purchase and except for certain equipment, for which we allow instalment payment. We typically initiate the shipment of goods upon receipt of the full payment from the franchisee. During the Track Record Period, we do not set minimum purchase commitment for our franchisees.

- *Shipping and delivery.* We shall arrange for shipment for the ordered goods. The ordered goods generally will be transported via third-party logistics service, with the logistics service provider appointed at our discretion. Our franchisees bear delivery expenses amounting to a percentage of the amount of the order. The difference between the actual expenses for delivery and the delivery fee paid by the franchisees shall be borne by us.

- *Product acceptance and returns.* We typically do not accept product returns unless there are quality issues. The franchised stores are responsible to check the type, quantity, specifications and quality of the products before acceptance. If no objection has been made within 24 hours since the time of receipt of the goods or a reasonable period of consumption (whichever is earlier), it is regarded as valid acceptance.

Franchisee Support

We offer a comprehensive support system for our franchisees to establish their businesses, covering supply chain, product development, site selection, store design and renovation, store opening, store management, marketing and delivery. See "— Our Store Network — Operation Management — Our Management and Supporting Platform."

To further align our interests and the interests of our franchisees, we normally do not require eligible franchisees to pay the non-refundable upfront franchise fee for renewal.

We also actively encourage our franchisees to open more stores. We monitor and analyze market dynamics from time to time, and offer a wide range of support and incentive for our franchisees. For new franchisees, our supporting measures include site selection and store opening support. For franchisees who have opened more than one store, our supporting measures include management training, exemption or discount of the fixed non-refundable upfront franchise fee and lowering equipment purchase price.

We believe it is essential for the expansion of our store network to maintain a healthy balance between the growth in the number and size of our franchises. Therefore, our support and incentive system lean towards franchisees with more than one store.

The table below sets forth a breakdown of the number of franchisees by their store opening for the periods indicated.

	As of December 31,				As of September 30,	
	2021		2022		2023	
One store	1,764	73.0%	2,266	69.5%	2,902	67.7%
More than one store	653	27.0%	994	30.5%	1,382	32.3%
Total	**2,417**	**100.0%**	**3,260**	**100.0%**	**4,284**	**100.0%**

As of September 30, 2023, 32.3% of our 4,284 franchisees opened more than one store, reflecting our franchisees' confidence in our brand image and store profitability. Our mutually beneficial franchise system is the foundation for our long-term and stable cooperation with franchisees.

Our Self-Operated Stores

As of December 31, 2021, 2022 and September 30, 2023, we had 65, 63 and 52 self-operated stores. Our self-operated stores play a strategic role in our business model. Our self-operated stores are essential in building and strengthening our brand recognition and establishing our presence in a new or underpenetrated market. We may close or transfer self-operated stores to franchisees after establishing presence in such new or underpenetrated markets. We also leverage our self-operated stores as training centers for our staff and franchisees in terms of store operation, quality control and services. Those self-operated stores serve as a model in the expansion of franchised stores in new areas.

The table below sets forth the movement of the number of our self-operated stores for the periods indicated:

	Year Ended/ As of December 31,		Nine Months Ended/ As of September 30,	
	2021	2022	2022	2023
Self-operated store count at the beginning of the year/period	12	65	65	63
Number of self-operated stores opened during the year/period	56	20	20	3
Number of self-operated stores closed/transferred during the year/period	(3)	(22)	(16)	(14)
Self-operated count at the end of the year/period	**65**	**63**	**69**	**52**

Supervisory System

To ensure consistent quality of products among our franchised and self-operated stores, we implement the same comprehensive set of standards and specifications for each aspect of our store operations, including store design, uniforms, menu items, pricing, promotional activities, advertisements, product preparation, facility maintenance, cleanliness of the premises and employee conduct as well as our staff training regimes at our franchised stores and self-operated stores. In order to supervise all those aforementioned aspects and provide better support to our franchisees, we have built a comprehensive supervisory management system:

- *Combination of online and offline supervisory models*. In addition to traditional offline supervision, we launched an online supervisory center comprising online supervisors, allowing us to achieve real-time guidance and assistance to our franchisees. It enables us to provide response to our franchisees and solve the in-store problems in a timely manner. The combination of online and offline supervision maximizes the effect of the all-round supervision and assistance provided by us to our franchisees. The supervisory tasks are assigned based on the distinct strengths of the online and offline supervisory modes. This online supervisory center reduced the limitations caused by the physical distance and facilitates interactive operations between us and our franchisees.

- *Digitalization*: We have a digitalized supervisory system. In addition to collecting and analyzing the operational data from individual stores, in July 2023, we have launched a digitalized supervisory system. Every action done and every instruction received by our online and offline supervisors is digitally monitored and arranged in this system. All operations will leave traces, and the scheduling of the supervisors has also been digitized. For example, this system can fully monitor the stores an offline supervisor visits, the quality control steps taken and the new product promotional assistance provided. Therefore, we can achieve a more scientific management of supervisors, franchisees and stores. We are still in the process of upgrading this system and plan to implement a system that allows us to customize the supervisors' tasks for different franchisees according to the type of the franchisees and their geographical location. This will further improve efficiency and provide more effective support for our franchisees.

MARKETING AND PROMOTION

Our marketing and promotional efforts are designed to strengthen our brand image and awareness, attract new customers and promote customer loyalty. To achieve our target, we employed various marketing initiatives, including:

- *Social media.* We have established Xiaohongshu, Douyin, Kuaishou, Weixin and Weibo accounts to interact with our customers and the public. We also conduct a variety of marketing activities on social media platforms to enhance our brand recognition and attract customers. For example, in June 2023, we launched the "Fresh Fruit Planet" live show on Douyin. The main products of this live marketing campaign were our popular fresh fruit teas, of which *Mango Pomelo Sago* and *Strawberry Daifuku* were the core products. This marketing campaign achieved remarkable results, with a final GMV of more than RMB100 million. *Mango Pomelo Sago* achieved a GMV of over 20 million and became our best-selling product. The cumulative number of audiences in the live show was 5.3 million, and the peak of audiences online for a single live show was 22,000 people.

- *IP marketing*. We evolve our brand image and brand theme in accordance with prevailing market trends and aesthetic preferences to enhance customers' perception over our brand. For example, we have developed night rose theme and juicy peach theme adapting to consumers' seasonal preferences. We also designed a freshly-made tea addicted bunny image called Mihu Bunny (迷滬兔). Our current brand IP, "Aunty Jenny," features a cartoon image of a stylish young Shanghainese lady and uses green as the main color to convey a healthy and fresh image. We also actively pursue crossover collaborations to broaden our reach and appeal to a diverse audience, effectively boosting our brand visibility and driving our product sales. Our co-brand products are widely welcomed by consumers once released, especially the ones in collaboration with "Big Ear Tutu" (《大耳朵圖圖》) and "How to Train Your Dragon" (《馴龍高手》). In particular, in January 2024, we launched an IP collaboration campaign with *Mo Dao Zu Shi*, a popular fantasy anime, which was an instant hit among consumers. Approximately one million cups of light milk tea under this collaboration were sold within three days after launch. "*Auntea Jenny* x *Mo Dao Zu Shi*" reached Weibo's sold Hot Search List twice. The hashtag #*Auntea Jenny x Mo Dao Zu Shi*# attracted over 200 million views on Weibo. Below are some examples of our IP marketing initiatives.

Our Membership Program

We foster consumer loyalty through our membership program, where consumers can register and access through our various online platforms such as Weixin Mini Program, Alipay Mini Program and Douyin. Through membership program, consumers are able to earn award credits for placing orders, which points may be exchanged for rewards such as discount coupons or gifts. In addition to redeeming their points, consumers also receive promotions that are bespoke to their preferences. We regularly engage external consultants and conduct both offline and online consumer surveys to capture a wider array of consumers' opinions. By gaining such consumer insights, we stay attuned to the latest market trends to better tailor our membership program to our customers' evolving preferences. We encourage consumers to join and participate in our membership program so they can take advantage of their redeemable award credits the customized rewards we offer, and we believe our membership program fosters loyalty to our brand. We have also introduced paid membership benefit cards in certain cities in December 2022 which provide additional benefits and discounts.

The number of our registered members from Weixin Mini Programs experienced significant growth during the Track Record Period, from 23.1 million as of December 31, 2021 to 42.2 million as of December 31, 2022 and further to 71.9 million as of September 30, 2023. In the nine months ended September 30, 2023, our average quarterly active user exceeded 16.3 million. During the same period, our quarterly repeat purchase rate was 41.3%.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

We procure raw materials used to make our beverages, such as dairy products, tea leaves, sugar, fresh fruits, fruit juices and packaging materials from our suppliers including contract manufacturers. The snacks sold in our system-wide stores such as wafers, potato chips and toast are produced by contract manufacturers. Equipment used in our store network was from quality suppliers.

We believe the freshness and timely delivery of quality ingredients are fundamental for offering high quality freshly-made beverages throughout an expansive store network. To support this, we have built up a nationwide supply chain coverage and strong management capabilities to underpin our rapid store network expansion. According to CIC, we ranked first in terms of the city coverage of our warehouses among the five largest mid-priced freshly-made tea shop brands in China in terms of system-wide store count as of September 30, 2023. Fresh and quality ingredients not only ensure the taste of the products but also form the cornerstone of a trusted brand. In particular, freshness is particularly important for our fresh fruit tea products. We safeguard such core values by requiring members of our store network to procure ingredients mostly from our centralized procurement platform which sources ingredients from selected high-quality suppliers and our own production facility. As of September 30, 2023, our supply chain network includes (i) eight logistics centers, (ii) four equipment warehouses, (iii) nine fresh produce warehouses and (iv) 19 frontline cold-chain storage warehouses. Within our supply chain network, two of the fresh produce warehouses and all of the frontline cold-chain storage warehouses are operated by Independent Third Parties.

Set forth below illustrates our supply chain network as of September 30, 2023:

For illustrative purpose only, the map (Map Review Number: GS(2022)4308) is presented to illustrate our store network in China as of September 30, 2023.

Supplier Selection and Management

Our strict criteria for choosing suppliers and thorough procurement process demonstrate our dedication to food safety and product quality. To guarantee the consistency and standardization of our supply chain, we have a list of competent raw material suppliers and an abundant pool of alternative suppliers. During the Track Record Period, we did not experience any material incidents of supply interruption, early termination of contractual arrangements with our suppliers or failure to secure sufficient quantities of raw materials.

Our supplier selection and evaluation processes include the following key steps:

- *Profile collection and registration*. Our personnel designated for procurement are responsible for organizing supplier selection activities and collect profiles from qualified suppliers. To be eligible to selection, the potential suppliers must (i) possess more than half a year's production experience of the relevant products, (ii) have professional quality control personnel, (iii) have not experienced any major food safety problems within one year, and (iv) the profiles contain no integrity issues.

- *Entry evaluations*. Our personnel designated for quality control will conduct multiple stringent evaluations for those supplier candidates before they can be admitted as qualified suppliers. We evaluate potential suppliers based on, among others, (i) their certificates and qualifications, (ii) product sample testing, (iii) on-site inspection results, (iv) after-sales service measures, and (v) ability to handle urgent orders.

- *Annual assessment*. After suppliers pass initial entry evaluations, we assess the performance of new suppliers each year and they can only be retained if they meet our criteria continuously. Depending on the evaluation outcomes and subject to the final approval of our quality control department, qualified supplier candidates will be offered the opportunity to enter into long-term collaborations with us.

The entire supplier selection and evaluation processes are recorded by our internal SRM system, which could be traced and inspected to avoid potential fraud risks.

We classify suppliers into four tiers, i.e., A, B, C and D based on the grading of the annual performance review. Grade A and B suppliers are qualified and meet our essential standards in quality, quantity, delivery, pricing and service assurances. We will prioritize our procurement from Grade A suppliers and maintain procurement from Grade B suppliers. For those suppliers who fall at Grade C, we will reduce procurement from them while actively seek alternatives. Any supplier who fall at Grade D will be disqualified. Additionally, any supplier failing to address quality issues, or engaging in fraudulent or unlawful activities such as contract violation, deception or bribery, which results in severe negative consequences and remains unrectified, will be removed from our suppliers' pool.

Ingredient Procurement

We implement meticulous selection and strict quality control for our raw materials. We possess a wide range of quality tea bases with unique flavors after years of efforts to discover and select production areas and tea varieties. For dairy products, we carefully use premium dairy products from quality sources. For fruits, we purposefully procure premium fresh fruits from quality production areas and make orders for the requisite amount. We carefully select suppliers who can supply us with fresh fruit and related ingredients all over the world, for example, our mangoes are mainly from Guangxi, mulberries are mainly from Sichuan. We also source grape juice from Spain, passion fruit syrup from Vietnam and grapefruit from South Africa. For imported raw materials, we generally cooperate with reputable distributors. In addition to the procurement of raw materials from suppliers, we also own a manufacturing facility in Haiyan, which can support on the supply of ingredients used in our own products. See "— Production — Our Production Facility."

Our procurement processes mainly involve the following steps:

- *Procurement agreement contracting.* After our procurement team reach a consensus with the supplier on the key terms of the procurement agreement, they can initiate the contract approval process specifying the supplier and the information of the product to be procured. It will then be submitted to the head of the procurement department, the head of the legal department and the head of the finance department for review and the head of the supply chain management center for approval. After the contract is signed, the procurement team uploads the contract to our SRM system for archiving.

- *Procurement pricing*. After reaching a preliminary consensus on the purchasing price based on the market price, the procurement team initiate the price verification process through the SRM system. The supplier fills in the quotation information in the SRM system. After being confirmed by the procurement team, it is submitted to the head of the procurement department for review and approval.

- *Procurement planning*. We procure raw materials and ingredients based on our actual needs. Our personnel designated at planning continuously monitor safety stock level, inventory turnover, expected sales data and other available information to form an inventory analysis, ensuring the reasonableness of inventory quantity allocation at our warehouses, stores and production facilities by sending orders to our procurement team. Our procurement team considers several key factors when assessing the relevant procurement order, including, size of the store, marketing activities, historical sales volume, production plan, expiry date of the inventory, supplier's production capacity and logistics arrangements.

- *Procurement and acceptance*. After a procurement order is placed, the planning team is required to continuously follow up on the supplier's performance and deal with any unusual issues in a timely manner until the supplier delivers the products to the designated places. Once the products are delivered, the designated logistics and quality control personnel from our supply chain management center will arrange for acceptance and keep record on the inventory list, which will be used for our accounting for trade payables.

During the Track Record Period, we diligently procured raw materials from reliable and trustworthy suppliers by strategically implementing our procurement through a centralized procurement method. We place a strong emphasis on forging long-term relationships with estates and farmers who are dedicated to high quality, supply stability and moral labor standards. This approach guarantees the quality of the raw materials while encouraging socially and ecologically acceptable behavior.

Procurement Agreements

Our procurement agreement with suppliers typically contains the following key terms:

- *Terms.* Typically one to two years and is renewable subject to further negotiation.

- *Product specification.* We usually specify product brands, manufacturers, specifications, models and other detailed requirements in the agreement. The quantity, delivery location and delivery time of the products to be purchased will be specified in the purchase order issued by us. The product quality standards shall comply with national standards, industry standards and our own standards.

- *Price.* If the product price increases or decreases, the supplier shall inform us in writing 15 calendar days in advance and obtain our consent before implementing the new price.

- *Ordering.* We send purchase orders to the supplier via our SRM system. The supplier shall adopt packaging that satisfies product storage and transportation requirements. The supplier shall deliver the products to our designated delivery location on time and in good quality. All costs and risks before the products are delivered to us for acceptance and storage shall be borne by the supplier.

- *Quality.* The supplier shall ensure it has valid qualification of food operation and the quality of products meets food-related laws and regulations, national standards, industry standards and our corporate standards, and if each standard is inconsistent, the higher standard shall prevail. We also have specific requirements for the shelf life of products. In addition, the supplier is required to sign quality and safety commitment letter and pay a certain amount of quality deposit.

- *Settlement.* Monthly settlement based on actual purchase orders.

- *Anti-corruption.* The supplier is prohibited from offering any unauthorized payment, such as bribes and kickbacks, to our employees in order to secure or reward an improper benefit.

- *Default.* In certain cases of default, including breach of the best price terms, late delivery and product quality issues, the supplier is liable to compensate us for our losses and pay liquidated damages.

- *Termination.* We and the supplier will negotiate whether to renew the agreement one month before expiration, and if not, the agreement will be terminated. We shall notify the supplier in writing one month in advance if we decide to terminate the agreement.

Our Suppliers

Our suppliers primarily include the suppliers of ingredients, packaging and other raw materials and equipment and marketing and promotion service. In 2021, 2022 and the nine months ended September 30, 2023, purchases from our five largest suppliers accounted for 25.9%, 19.6% and 17.4% of our total purchases for the respective periods.

The tables below set forth the details for each our five largest suppliers during the Track Record Period.

For the Year Ended December 31, 2021

Supplier	Purchased Amount	Percentage to Total Purchase	Year of Commencement of Business Relationship	Products/Services Provided
	(RMB'000)	*(%)*		
Supplier A	165,715[1]	11.8	2014	Dairy products, coffee and processed fruits
Supplier B	54,043	3.8	2016	Packaging materials and low-value consumables
Supplier C	52,898	3.8	2020	Dairy products and processed fruits
Supplier D	47,388	3.4	2020	Processed fruits
Supplier E	44,573	3.2	2017	Dairy products and coffee
Total	**364,617**	**25.9%**		

Note:

(1) Includes transactions with Supplier A and its subsidiary.

For the Year Ended December 31, 2022

Supplier	Purchased Amount	Percentage to Total Purchase	Year of Commencement of Business Relationship	Products/Services Provided
	(RMB'000)	*(%)*		
Supplier A	139,828[(1)]	7.7	2014	Dairy products, coffee and processed fruits
Supplier F	62,057	3.4	2017	Packaging materials, tableware and low-value consumables
Supplier G	53,890[(2)]	3.0	2018	Marketing promotion and technical services
Supplier H	52,995	2.9	2020	Processed fruits
Supplier I	44,908	2.5	2017	Processed food products and raw materials
Total	**353,678**	**19.6%**		

Notes:

(1) Includes transactions with Supplier A and its subsidiary.

(2) Includes transactions with its subsidiaries.

In the Nine Months Ended September 30, 2023

Supplier	Purchased Amount	Percentage to Total Purchase	Year of Commencement of Business Relationship	Products/Services Provided
	(RMB'000)	*(%)*		
Supplier F	84,539	4.6	2017	Packaging materials, tableware and low-value consumables
Supplier A	78,709[(1)]	4.2	2014	Dairy products, coffee and processed fruits
Supplier J	67,815	3.7	2021	Dairy products
Supplier K	46,544[(2)]	2.5	2017	Processed fruits
Supplier G	45,521[(3)]	2.5	2018	Marketing promotion and technical services
Total	**323,128**	**17.4%**		

Notes:

(1) Includes transactions with Supplier A and its subsidiary.

(2) Includes transactions with its subsidiaries.

(3) Includes transactions with its subsidiaries.

During the Track Record Period and up to the Latest Practicable Date, to the knowledge of our Directors, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in our five largest suppliers that are required to be disclosed under the Listing Rules.

In addition to procurement, we also collaborate with selected domestic and overseas suppliers with technological advantages and expertise in agricultural product processing to establish understanding and control in quality, flavor and pricing of the relevant agricultural products. Through collaboration with upstream suppliers in research and development, we expect to improve the quality and taste of ingredients, reduce waste and lower purchase price. We also research and develop different unique formulas by ourselves.

Furthermore, we entered into strategic partnership agreements with key ingredient suppliers in order to enhance our collaboration with the suppliers and better achieve a mutually beneficial and win-win strategic cooperation relationship. As of the Latest Practicable Date, we have entered into three strategic partnership agreements with three quality suppliers. Under such strategic partnership agreements, the suppliers agree to offer us competitive purchasing prices for key ingredients, ensure to maintain a high-standard quality management system and provide us with a stable supply of those key ingredients. We will regularly communicate with our suppliers about advanced technologies within the industry. Such suppliers agree to offer us with regular analysis of industry trends and opportunities in relation to the end-consumers' preferences, research and development and marketing strategies, and shall provide us with professional training with regard to advanced technologies within the industry and new production technologies they gained when necessary. The suppliers are under strict confidentiality obligations with respect to all formulas provided to them as well as all product formulas we jointly developed with them, and cannot use the formulas for any purpose other than the co-operation with us. The purchase orders are to be placed by us separately, specifying the price, quantity, delivery location and delivery time of the products to be purchased.

Logistics and Warehousing

As of September 30, 2023, our supply chain network included (i) eight logistics centers, (ii) four equipment warehouses, (iii) nine fresh produce warehouses and (iv) 19 frontline cold-chain storage warehouses. Within our supply chain network, two of the fresh produce warehouses and all of the frontline cold-chain storage warehouses are operated by Independent Third Parties. Such supply chain network ensures timely distribution of fresh ingredients. All our fresh produce warehouses have ambient, refrigerated and freezer storage facilities. The cold-chain storage warehouses are able to cover all stores nationwide, allowing ingredients to be delivered to stores two to three times each week. In addition, we trace the origin of our upstream raw material providers to strictly control the quality of the raw materials procured.

We manage and control our daily warehouse operations through WMS, from the receipt of raw materials to the dispatch of goods to stores. We are able to trace logistics information of goods in our warehouses. We have also adopted barcode management which enabled code scanning for the daily operation of the warehouses, making the warehouse operations more transparent. With the help of WMS, we have optimized our warehousing personnel structure and improved the efficiency of goods picking and inventory management. Overall, we have improved our warehouse operation efficiency, reduced the cost of warehouse management and realized real-time monitoring of order delivery and our our raw material supplies through the implementation of WMS. See "— Food Safety and Quality Control — Internal Food Safety and Quality Control Measures — Suppliers."

PRODUCTION

Our Production Facility

We currently have one production facility in PRC in Haiyan, Zhejiang province. Our Haiyan Facility commenced commercial production in 2022, with an aggregate area of over 10,000 sq.m. Our Haiyan Facility is able to produce and process certain ingredients used in the preparation of our beverages, primarily including tapioca pearls, taro balls and taro paste. As of September 30, 2023, the theoretical annualized production capacity at our Haiyan Facility was 1,921.9 tonnes for tapioca pearls, 1,243.7 tonnes for taro balls and 1,730.2 tonnes for taro paste. In addition, in December 2023, the tea production line at our Haiyan Facility has commenced commercial production with a theoretical annualized production capacity of 2,078.2 tonnes.

	Year ended December 31,			Nine months ended September 30,		
	2022			2023		
	Effective Production Capacity[4]	Production Volume[5]	Utilization Rate	Effective Production Capacity[4]	Production Volume[5]	Utilization Rate
	(Tonnes)		*(%)*	*(Tonnes)*		*(%)*
Tapioca pearls[1] ..	640.6	384.0	59.9	1,441.4	1,590.1	110.3
Taro balls[2]	369.6	61.6	16.7	910.3	730.6	80.3
Taro paste[3]	359.8	19.9	5.5	918.1	626.6	68.3

Notes:

(1) Tapioca pearl production line commenced commercial production in September 2022.

(2) Taro ball production line commenced commercial production in September 2022. In March 2023, we upgraded our taro ball production line and achieved a total theoretical annualized production capacity of 1,243.7 tonnes to taro ball production line.

(3) Taro paste production line commenced commercial production in September 2022. In August 2023, we upgraded our taro paste production line and achieved a total theoretical annualized production capacity of 1,730.2 tonnes to taro paste production line.

(4) Effective production capacity is calculated based on the machines operating 12 hours a day for 22 working days a month, considering the time spent in production line upgrade and adjustment. Effective production capacity reflects the production capacity from production commencement to the end of relevant period for each production line.

(5) Production volume is the actual production volume during the periods indicated.

As our production lines experience ramp-up, the utilization rates increased from 2022 to the nine months ended September 30, 2023. Besides, the design of the production lines at our Haiyan Facility took into account the anticipated increase in demand for products in future. As a result, the utilization rate of our production lines were not at their maximum in the nine months ended September 30, 2023.

We invest in our production equipment and machinery as we believe the quality of our equipment and machinery is essential to increasing automation, ensure reliability as well as cost efficiency. The key equipment and machinery used in our production process include ultra-high temperature instantaneous sterilization machine, liquid nitrogen quick-freezing machine, automatic palletizer, food X-ray machine, outsource product flexible conveyor system, automatic packaging machine and double-spiral quick-freezing tunnel cold storage.

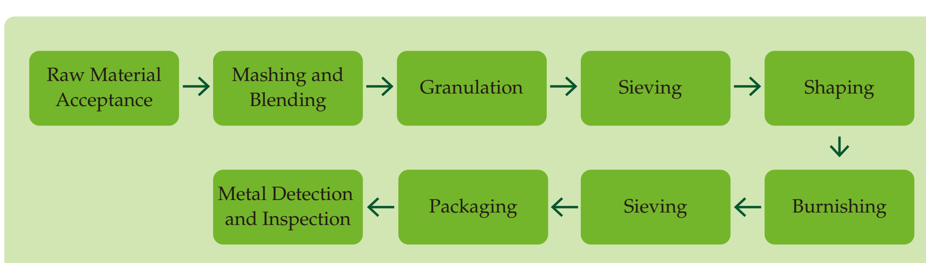
Many of the machines we use only require limited human operation, allowing us to reduce labor costs and focus our production facilities staffing on maintenance and supervisory functions. We purchase and own all of our production equipment and machinery in our Haiyan Facility.

We plan to further increase our production capacity to support our business growth. We are commissioning a pre-blended fruit juice and syrup production line which are expected to commence commercial production in the first half of 2024 with a designed annual production capacity of 700.0 tonnes.

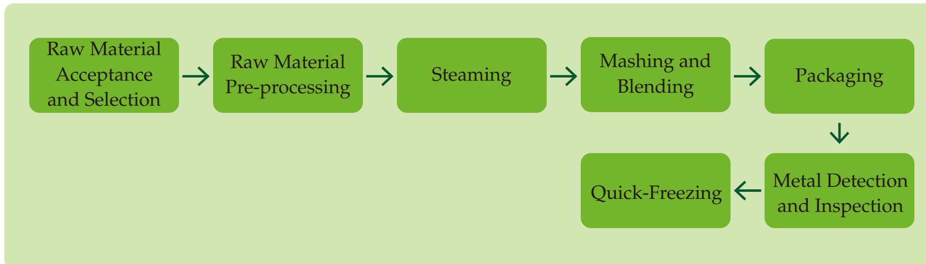
Our Production Processes

We implement standardized processes to ensure the quality and consistency of ingredients. The diagrams below set forth the production flow of our tapioca pearls, taro paste and taro balls:

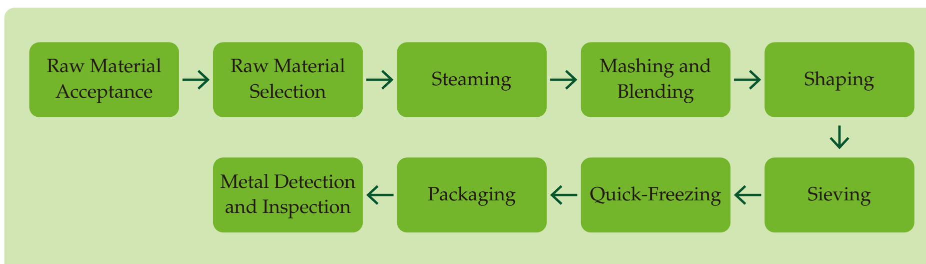
Tapioca Pearls



Taro Paste



Taro Balls



Delivery Arrangements

The delivery arrangements from our Haiyan Facility to our warehouses comprises the following steps:

- *Order placement*. Our designated personnel at our headquarters send orders to Haiyan Facility according to the inventory level at our warehouses and future market forecasts. Haiyan Facility also communicates regularly with the planning personnel about market demand to mitigate the gap between production and demand.

- *Delivery arrangement.* Haiyan Facility plans the specific delivery arrangements based on the requisite order delivery time and logistics routes.

- *Delivery to warehouses.* The third-party logistics service provider arranges vehicles according to the delivery arrangements and deliver the products from Haiyan Facility to our warehouses across China. The quality control personnel at each warehouse conducts inspection before acceptance.

- *Delivery to stores.* After receiving the products delivered from Haiyan Facility, each warehouse carries out delivery according to the demand of each store in the region. Products are delivered under room temperature or cold chain conditions using multi-temperature delivery vehicles. The temperature of the products is monitored throughout the process from the warehouse of the Haiyan Facility to the stores.

We recorded certain revenue from the sales of ingredients to our franchised stores. See "Financial Information — Principal Components of Results of Operations — By Nature."

RESEARCH AND DEVELOPMENT

We seek to develop innovative and distinctive products and refine our existing products to exceed our customers' expectations and to attract new customers. Our products are evolved based on fresh seasonal ingredients, prevailing trends and the changing tastes of consumers. We launched over 100 new products in each of 2021, 2022 and 2023, highlighting our proactive approach to product development and innovation.

We have a dedicated research and development center that continuously develop new beverages and ingredients. Our research and development center, led by our founder and chief product officer Ms. Zhou Rongrong, and its main functions include consumer and market research, new product and topping development, raw material and ingredient research and technical equipment development. We have continued to conduct research food sciences, including the chemical composition, interaction and extraction process of ingredients and their impact on taste. Our research and development center also focuses on tailoring the taste of our products to consumers in different geographical areas. We have built a pool of reserve products through our ongoing product development efforts over the years, continuing to satisfy consumer's demand on product diversity.

Our product development process is meticulous and thorough, assuring the highest quality and bringing new beverages to consumers. The following are the important phases in this process:

- *Product planning*. Our product development process begins with a comprehensive analysis process. To locate and forecast prevalent market intelligence in drink tastes, we closely follow emerging discussions among younger groups.

- *Product development*. We then start looking for ingredients for prospective new items. After exploring the flavors of various combinations of ingredients and taste based on various formulas and recipes, we develop the final formulations. The product development team will then conduct various validation and testing to develop the concept into pilot products.

- *Tasting committee.* The pilot products will be presented to our tasting committee to gather valuable feedback. The tasting committee comprises of randomly selected members of our senior management and other staff.

- *Product standardization*. Prior to the release of new products, we take various measures to ensure standardization and consistency of our new products. We provide customized trainings on how to produce new products, our quality standards, along with specialized guidelines on the marketing techniques to the staff in stores. Our regional team also conduct periodic inspections on the stores to ensure the quality and marketing efforts for new products.

- *Marketing campaign*. To launch our new products, we prepare marketing events and campaigns. Our targeted channels include online platforms such as Douyin, Xiaohongshu and Kuaishou and other offline marketing channels.

- *Re-evaluation*. Following the product launch, we place a major emphasis on gathering user feedback in order to constantly enhance and optimize our products. This iterative procedure helps us to keep in tune with consumer' tastes and make any required changes to our goods according to market reaction.

Through cooperation with upstream suppliers in research and development, we expect to improve the quality and taste of ingredients, reduce waste and lower purchase price. Going forward, we aim to continue to develop distinctive and innovative beverages not only meet the prevailing market trend and consumer taste, but also lead the industry trends and innovation.

OUR CUSTOMERS

Our customers are primarily the franchisees who operate franchised stores pursuant to the franchise agreements signed with us. We generated a substantial majority of our revenue from franchising, mainly consisting of (i) sales of goods to franchisees, primarily including ingredients and other raw materials and equipment and (ii) fees for franchising services. 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 4.1%, 2.7% and 1.9% of our total revenue for the respective periods. During the Track Record Period, we were not subject to any material customer concentration risk. During the Track Record Period and up to the Latest Practicable Date, none of our Directors, their associates or any of our current Shareholders (who, to the knowledge of our Directors, own more than 5% of our share capital) had any interest in any of our five largest customers that are required to be disclosed under the Listing Rules.

FOOD SAFETY AND QUALITY CONTROL

Food safety and quality control are of paramount importance to our business. We implement stringent food safety and quality control standards and measures throughout different aspects of our operations, including suppliers, logistics, food processing plants and stores. We established various food safety management team at different levels of our store network. We have a food safety and quality control center at our headquarters, and we require our quality control departments at various levels to report directly to this center. Our chief quality supervisor is the head of our food safety and quality control center. Our chief quality supervisor reports to our senior management directly, and our food safety and quality department is independent from all other departments and has a veto power over all quality control related issues and decisions. The responsibilities of our food safety and quality center include:

- Overseeing our quality control system at the headquarters level;
- Collecting and reporting information regarding food safety, industry updates, applicable laws and regulations and quality standards;
- Categorizing risks perceived and initial risk evaluation with relevant operating departments; and
- Establishing and enforcing of quality and technical standards, as well as the inspection and examination mechanism.

In case of any incidents or emergency relating to food safety and quality, we implement a contingency system to ensure timely response to various events. Under the contingency system, our food safety and quality department will supervise the food safety team at the regional and store level directly. We have a specialized food law and regulations team, which will retrieve and update the latest laws and regulations from time to time, so that the stores and warehouses can be continuously adjusted to comply with the latest laws and regulations. As of September 30, 2023, we had 35 members in our food safety and quality department dedicated to food safety and quality control. The staff at each of the stores in our network and our district supervisors also conduct daily quality monitoring at the operating level.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material food safety incidents. As of the Latest Practicable Date, the productions lines disclosed in "— Production — Our Production Facility" have received all approvals, licenses and permits to conduct food production.

Internal Food Safety and Quality Control Measures

Suppliers

All our suppliers are required to comply with quality standards imposed by regulatory authorities for their supplies. We actively conduct quality inspection and review on our suppliers. For example, we station quality inspectors at the facilities of each of our major suppliers. We have also set up specific standards in connection with our suppliers' production facility, including the temperature in their facilities, the status of their equipment and the cleanliness of their premises. Our onsite inspectors keep a comprehensive record for the ingredients to be used in our system-wide stores, as well as the compliance to our stringent standards. We also actively communicate and work with our suppliers for our ingredients and equipment to resolve any safety or quality issues within our store network.

We have implemented MOST to our supply chain, which facilitates us in tracing all the ingredients we use. Under MOST, we are able to trace the raw materials, production process, transportation and storage condition of the ingredients we procure. In addition, we stipulate food quality and safety penalty clauses in our contracts with suppliers to impose a penalty up to 20% of the value of the supplies if the food quality and safety issue with the supplier results in an end-consumer's request for a return, or results in us being held liable or being investigated by the relevant authorities.

MOST includes FPS, WMS, SRM system, OMS, MES and ERP system.

When the franchisee places an order in the FPS, the order will enter into our OMS, which automatically categorize the orders and arranges for different purchased ingredients and raw materials to be dispatched from different warehouses. That arrangement will then be entered into the WMS which automatically generates the delivery order, deducts the relevant inventory and carries out the delivery order for shipment. The delivery order and the logistic information will be synchronized to OMS, FPS and ERP system.

We have specific personnel designated for procurement planning who will decide whether each warehouse needs to replenish the inventory through the warehouse business intelligence dashboard. Once the inventory is below the waterline, purchase orders will be automatically generated and sent to the suppliers through our SRM system. When the purchase orders are fulfilled, WMS will be notified to carry out the replenishment. NC Cloud will be synchronized. Basically, the sales orders to the franchisees and the purchase orders to the suppliers are automated.

In addition, we have built our own product center to systematically manage the procurement plans for raw materials according to the in-store sales to end customers. Incorporating machine learning algorithms, we have achieved 93% accuracy in forecasting sales of key products within 30 days. This forecasting technology will be used to assist our designated procurement planning personnel in setting up procurement plans. This will further bridge the gap from in-store sales to raw material procurement, and initially enable franchisees to place orders in FPS with effective recommendations based on the forecasted in-store sales trend.

Logistics

Our suppliers are responsible to ship the ingredients and other supplies. In general, we require our suppliers to install thermo trackers to keep a full record of the temperature where necessary. We also engage third-party inspection institution to conduct sampling tests at our regional logistic centers.

We engage third-party logistics service providers to deliver the ingredients and supplies to the stores in our network. We implement stringent policies and requirements during the transportation of these ingredients. For example, we require the delivery truck to be capable of maintaining optimal storage conditions to ensure the quality and safety of certain ingredients and supplies during transit. Where necessary, we require the logistics service providers to install thermo trackers to keep a full record of the temperature. We also require the delivery trucks be thoroughly cleaned, sanitized and inspected by our specialized personnel after each round of delivery, following our quality control standards. We also require the transportation companies to bear the risks of loss or spoilage of the ingredients or supplies during transit.

Quality Control at Our Production Facility

The infrastructure and facilities in our production facility are designed, constructed, maintained and inspected in accordance with applicable food safety standards, laws and regulations in China. We implement stringent safety and quality standards at each stage of our production process. The quality control at our production facility starts from control over the suppliers of raw materials and ingredients. All the raw materials and ingredients used in the production process are strictly in compliance with applicable laws and regulations and semi-finished products are tested to ensure compliance with our stringent quality standards before proceeding to the next stage of production. See "— Suppliers." We also enforce strict control over all the elements that might affect the safety and quality of the products, including, among other things, hygiene of the production personnel, production equipment and the premise. We also supervise the production process closely to detect any issue that might lead to defective batch of product. Material factors to the quality of our production at each production step are listed out and monitored closely according to our protocols in order to prevent and rectify any potential occurrence of production errors. Before delivery, we also conduct thorough tests on the products to ensure strict compliance to our safety and quality standards as well as applicable laws and regulations. Qualified products will be given the product inspection certificate. Products without such certificate are strictly prohibited from leaving the production facility. In addition, we keep strict delivery records which include batch numbers, specifications and quantity. Any unqualified products should be dealt with in a timely manner by our quality control department.

As advised by our PRC legal advisor, we have obtained all the necessary approvals in connection with the productions lines disclosed in "— Production — Our Production Facility." Our Directors confirm that all our products complied with the quality standards in China, and we have never been subject to any sanctions, fines or other punitive actions imposed by the PRC Government for failure to comply with these requirements.

Store-Level Food Safety and Quality Control

We have established stringent food safety and quality control standards for all stores in our network for (i) inspection of ingredients and supplies delivered directly from the suppliers, our plants or the logistics centers or storages to our system-wide stores and (ii) in-store product preparation.

In terms of inspection of ingredients and supplies, our store-level staff reports to the food quality department on any deviation or irregularity in the quality of ingredients and rejects any ingredients and supplies which do not meet our standard. The food quality department also issues a report on a monthly basis to our headquarters.

In terms of in-store product preparation, we have developed separate manuals laying out operating procedures and quality standards to regulate different aspects of product preparation done at all the stores in our network. We require the franchisees and store staff to strictly adhere to the procedures and standards stipulated in the manuals to ensure the flavor, presentation, quality and hygiene standards of our beverages meet our standards. We implement detailed recipe and procedures for our beverages that may not be altered without proper approval. We have an online supervisory center which monitors and supervises the hygiene standards and various aspects of product preparation at stores on a daily basis through surveillance cameras. As a result, consumers can enjoy the same beverages with consistent quality and taste at any of the stores in our network. We believe this consistency helps us to retain existing consumers and attract new consumers by generating consumer confidence in our quality control system. In particular, our food safety and quality control policies include the following:

- *Franchise agreement.* We set out particular food safety measures in the franchise agreement. For example, our franchised stores are required to purchase all ingredients from us except for certain limited circumstances, and adhere to our standardized product policy. We expect our franchisees to adhere to the applicable laws, regulations and procedures for food safety control that have been established by relevant PRC governmental agencies and us. If any franchisee violates the aforementioned requirements, we preserve the rights to terminate the franchise agreement and demand compensation from the violating franchisees. Our franchisees will be held accountable for any violations of these food safety procedures and regulations.

- *Food safety and hygiene.* We have implemented a hygiene manual for the overall cleanliness of our system-wide stores. We appoint trained personnel to monitor strict compliance of the manual by our store staff.

- *Spot-check by district supervisors.* Our district supervisors visit the stores in their respective regions to perform inspection and examination to ensure strict adherence of food safety and quality standards. They will also check the beverages made in the stores to assure the appearance, smell, taste and temperature of the beverages adhere to our uniform standard.

- *Spot-check by third-party agencies.* We engage qualified third-party agencies year-round to carry out inspections in our system-wide stores to identify and rectify potential issues of food safety and quality. We have specified in our contracts with them that they are required to inspect 500 to 600 stores each quarter. If there is any non-compliance, evidence should be collected on site. None of the stores will receive prior notice on these inspections.

- *Continuous training programs.* We continuously provide training programs to our franchisees and store staff on operating procedures and quality standards. Post-training tests are conducted to ensure the effectiveness of the training. In the nine months ended September 30, 2023, we held training sessions related to food safety and cashiering practice, which were attended by over 7,300 franchisees and store staff in aggregate.

- *Strict adherence to inventory level.* Stores within our network order most of the perishable ingredients on a daily basis, which we believe helps ensure the quality and freshness of the beverages.

As part of our comprehensive management and supervisory framework, the adherence to relevant safety and quality standards by each of the stores in our network is a key factor when we evaluate the stores as well as the district supervisor. For violation of safety and quality standards by the individual store, we can choose to temporarily close the stores for further evaluation and rectification. We also dispatch consulting and training staff to the violating store to assist in educating the staff and managing the store. During the Track Record Period and up to the Latest Practicable Date, none of the store in our network violated our safety and quality standards that resulted in material adverse impact on our business and results of operations.

We also implement stringent guidance on the disposal of left-over ingredients and other wastes, according to which, our system-wide stores are required to cooperate with qualified waste management companies to collect, process and dispose of all the left-over ingredients and other wastes. We also keep a comprehensive record of these wastes and closely trace their ultimate disposal.

OUR INVENTORY CONTROL MEASURES

We have established a comprehensive inventory lifecycle management system, which mainly involves inventory planning and monitoring, storage, transfer and inventory counting:

- *Inventory planning and monitoring*. Our designated personnel for planning and management is responsible for monitoring the level of inventory in our warehouses, factories and stores. They will then formulate the relevant inventory allocation and procurement plans to ensure the timeliness of inventory arrival at our warehouses, factories and stores as well as the reasonableness of the allocation of inventory quantities. The designated personnel shall consider the key influencing factors such as the size of the store, recent marketing activities, historical sales volume, production plan, inventory validity period and distribution cycle in the process of formulating the plan.

- *Inventory storage*. We have set up suitable storage conditions according to the categories of inventories and their relevant storage requirements. We have established an inventory validity management mechanism by separately storing the unqualified inventories, expired inventories and the inventory approaching shelf life. We also carry out early warning procedures to avoid the misallocation of expired or unqualified products to stores.

- *Inventory transfer*. Before the inventory is transferred between different warehouses, a request for material transfer should be submitted, specifying the reason for the transfer, location, material and quantity information for such transfer. The transfer can be carried out only after approval is granted. The entire process of transfer should be left records for subsequent inspection and management, and should be synchronized to our finance department for accounting purposes.

- *Inventory stocktaking*. The Company regularly verify the quantity and validity of inventory. At least one inventory stocktaking is carried out for all the inventories under the name of the Company in each quarter. The results of stocktaking should be presented in the form of a written stocktaking report and stocktaking table. Such written documents should be reviewed in accordance with the company's regulations by the head of the financial management center.

SETTLEMENT AND CASH MANAGEMENT

Consumers can pay with digital payment methods such as Weixin Pay and Alipay, as well as other payment methods such as credit cards and cash. As the vast majority of our orders are settled through non-cash methods, risks related to cash management have been and will continue to be maintained at minimal level. Nevertheless, for orders that are settled through cash in our self-operated stores, we implement a number of internal control policies to prevent cash misappropriation and embezzlement. For store revenues received in cash and petty cash, our policies prescribe that, (i) on a daily basis, after a given store closes, a store clerk will perform cash counts under the supervision of another store clerk, who will record the count result on the store cash management system, and cash will be stored in a safe; (ii) on a monthly basis or when the amount of cash held in a store exceeds RMB2,000, at each store, our store manager will deposit cash into the bank account designated by the Company; (iii) on a monthly basis, we have a designated personnel for regional finance to check the applicable bank statement against our internal store-level revenue reports recorded. The applicable district managers and regional managers will also perform independent counts during store inspections, which inspections are documented to retain evidence of review.

During the Track Record Period and up to the Latest Practicable Date, we had not encountered any incident of cash misappropriation or embezzlement that had a material adverse impact on our business, results of operations or financial condition.

COMPETITION

The freshly-made tea shops industry in China is highly competitive. In 2022, the total market size of China's freshly-made tea shops in terms of GMV was RMB168.0 billion, of which mid-priced tea shops account for the largest share of 51.5%, according to CIC. Our *Auntea Jenny* tea shops ranked fourth in China's freshly-made tea shop market in terms of GMV amounting to RMB7.2 billion in the nine months ended September 30, 2023. We faced 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.

If we fail to effectively compete against, or are out-competed by, the other leading players, we may experience a material adverse impact on our results of operations, financial condition and business prospects. See "Risk Factors — Risks Relating to Our Business and Industry — We face increasingly intense competition."

USER PRIVACY AND DATA SECURITY

In the ordinary course of business, we collect, store and use certain personal information of our employees, franchisees and their employees, consumers and other individuals from time to time, such as (i) when consumers place online orders through our online applications, such as our Weixin Mini Programs, 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 — Any failure to comply with data privacy, protection and information security laws could damage our reputation and we could suffer a loss of revenue, incur substantial additional costs and become subject to litigation and regulatory scrutiny."

To ensure proper and sufficient protection for user privacy and data security, we have implemented internal data security and protection protocols which provide for data management responsibilities, data protection and confidentiality procedures. We also update our policies and internal control measures for data protection based on evolving regulatory requirements and industry standards. We implemented several detailed measures with respect to cybersecurity and personal data protection. For example, we notify consumers and obtain consents from them about how we collect and use their personal data. Data regarding our consumers' online purchases made through third-party platforms are managed subject to those third-party platforms' data governance policies.

During the Track Record Period and up to 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.

INSURANCE

We have purchased property insurance and public liability insurance policies which comprehensively covered major business interruptions and accidental loss, such as fire, water and malicious damage. See "Risk Factors — Risks Relating to Our Business and the Industry — Our insurance policies may not provide adequate coverage for all claims associated with our business operations, which may have a material adverse effect on our reputation, business, financial condition and results of operations." Our Directors believe that our insurance coverage is in line with industry practice and standard business practices of relevant countries. During the Track Record Period and up to the Latest Practicable Date, we had not received any material insurance claims against us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We have been taking and will continue to take effective measures to embrace ESG into every aspect of our business operations. To do so, we establish an ESG management structure, set down ESG duties at each level of our Company, and enhance our ESG management level and execution capabilities on an ongoing basis.

- The Board is responsible for assessing ESG-related risks, coordinating the alignment of ESG strategic direction with corporate development direction and monitoring ESG key performance indicators.

- We have established an ESG team composed of members that are appointed by the Board and the heads of different departments. The ESG team is devoted to implementing ESG into our day-to-day operations and ensuring that our operations and practices are in line with the relevant ESG strategies.

We value our stakeholders' expectations and requirements in terms of ESG matters. Therefore, we proactively communicate with our stakeholders including our employees, consumers, suppliers, business partners, investors, regulators and various social groups to address their concerns. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material risks or issues in relation to ESG, nor have we been subject to any material fines or penalties for non-compliance or violation of the environmental laws of the PRC. Going forward, especially after the [**REDACTED**], we will continue to improve our ESG management structure, form ESG strategies and targets, and track the target completion progress. We will improve risk identification and assessment procedures, enhance risk management capabilities and disclose ESG reports on a regular basis.

Environment

We are an environmental-friendly company. During the Track Record Period, we incurred expenditure of RMB2.0 million in relation to our compliance with applicable environment protection laws and regulations which include expenditure on environmental-friendly equipment, disposal fees for pollutants and environmental compliance consultancy fees. We proactively monitor changes in laws and compliance risks on environmental issues. We promptly adjust to changes in regulations and policies to ensure our compliance with environmental issues. We have specific environmental management systems in place and require all departments to comply with the rules and regulations in order to reduce environmental pollution, improve resource efficiency and reduce carbon emissions. Considering the impact of our business on the climate and the environment, we take appropriate measures in our business operations to minimize the impact of our operations on the environment.

We take the following environmental-friendly measures in our daily operations.

- *Packaging savings*. We are committed to improving the utilization of packaging materials and promoting sustainable packaging. Our business involves a significant number of plastic resources for straws and cups. We have implemented an internal packaging material inspection practice to encourage sustainable use of our packaging materials by applying high quality standards when selecting our packaging suppliers. In addition, we offer a variety of straw cups, thermos cups and eco-friendly canvas bags every year to encourage consumers to reduce plastic consumption.

- *Energy saving and emission reduction*. We are committed to reducing energy consumption per unit of product and actively improving the energy efficiency of our production process. We achieve this through demand planning management during production operations and the use of energy-efficient vehicles in our production facility, with the aim of improving production efficiency, lowering energy consumption per unit of product and reducing carbon emissions. In addition, we use energy-efficient electric forklifts at our production facility to maximize energy saving and emission reduction. As for pollutant emissions, we carry out regular testing to ensure that pollutant emissions are within regulatory compliance.

- *Water savings*. We are committed to improving the efficient use of water resources. Our business is closely related to water resources, so we have a stringent system in place for the proper use and management of water resources. We have re-engineered our taro paste production line to improve the efficiency of water use, which has resulted in a reduction in the overall water consumption of the production line. Furthermore, we actively encourage our employees to save water and reduce water leakage in our daily management.

- *Biodiversity conservation*. In September 2022, we organized an eco-conscious campaign in Dalian to call for the protection of wild deer. In the same year, we organized a marine environment protection public welfare campaign, *Guard Deep Blue*, in which we distributed special limited edition canvas bags featuring marine elements free of charge in *Auntea Jenny* stores to raise awareness about marine protection. The bags were also printed with a QR code that provided access to educational content on marine conservation.

- *Green office*. We actively advocate the concept of low-carbon office. We have established an office administration policy, which specifies the office energy-saving and safety norms, as a way to foster and regulate the green office habits of our employees. For example, monitors should be switched off during lunch breaks, the use of self-brought water cups are advocated to reduce the use of disposable cups, and lighting and air conditioning should be switched off in unoccupied office areas.

Governance and Social Responsibilities

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. Corporate social responsibility is viewed as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing diversity and addressing public interests.

We have implemented a set of ESG policies that align with applicable laws and regulations, which set forth our internal policies and measures in respect of, among other things, environmental protection, labor protection, food safety, corporate governance and code of ethics.

Employee Caring Initiatives

Our human resource department is responsible for implementing and supervising our employee caring systems. We set down a series of internal guidelines regarding the remuneration and incentive mechanism, which help us carry out our employee remuneration and rewarding. We promote comprehensive employee welfare systems to look after employee wellbeing, such as holiday and birthday benefits.

We strictly comply with laws in PRC regarding occupational health and safety, and have implemented stringent internal policies such as *General Rules for Safe Technical Operation Procedures*, *Safe Production Management System* and *Safe Production Education and Management System*, in order to provide a safe working environment for our employees.

We attach great importance to the occupational health and safety of our employees. We purchase commercial insurance for our employees in certain roles and proactively carry out trainings for workplace injury prevention. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any major accidents involving personal injury or property damage.

We are committed to creating an equal, diverse and non-discriminatory workplace. We provide equal career opportunities for employees of different ethnicities, ages, genders and beliefs. As of September 30, 2023, we had 748 female employees, accounting for 43.8% of our total employees.

We manage our trainings with our employee training and management system. We provide training programs for our employees, including induction training for new employees to introduce our corporate culture and to familiarize them with their work responsibilities. We also organize training programs with different themes to cater for the characteristics and needs of different groups of employees, such as management skills training for executives at managerial level, vocational skills training, training by external experts.

Social Charitable Efforts

We are committed to philanthropy and actively contributed to charitable causes since inception, demonstrating our corporate social responsibility and dedication to stable employment and community responsibility. During the Track Record Period, we have donated RMB5.4 million in relation to our social charitable programs.

Over the years, we have carried out numerous initiative and programs in relation to social responsibility, including but not limited to the following.

Our efforts to facilitate employments for people with disabilities and support children with autism

With the concept of "Integration, Innovation and Sharing," we initiated the concept of "Silent Stores" to provide silent service with a sound of love. Using "Silent Stores" as a carrier, we integrate our operational expertise to provide free training and job opportunities for people with hearing impairment in the industry. We provide subsidies to the disabled and caring members of society to support their entrepreneurship. We are the pioneer in the freshly-made beverage industry to launch a program to facilitate employments for people with disabilities. Through this initiative, we hope to foster creative employment solutions for individuals with disabilities, create a model project for job opportunities for people with disabilities, and create a better and more inclusive social environment.

In addition, we make cup sleeves with paintings of children with autism to spread the children's artistic expression to more people. For every drink sold with a cup sleeve from Word of Art Brut Culture ("**WABC**"), a non-profit organization, we plan to donate RMB0.1 to WABC to support the development of children with autism.

Our efforts to relieve natural disasters and pandemics

We take our social responsibilities seriously and actively help the local communities. In times of natural disasters, we lend a helping hand to the society and local communities with various forms of donations and charitable programs. In doing so, we give back to the society and people who enable us to make our success.

In recent years, in response to public events, we have leveraged our nationwide store channels to actively provide medical supplies, living supplies, public welfare condolences and other supports to the affected areas to help them overcome the difficulties. In August 2023, we donated RMB3 million through the China Women's Development Foundation ("**CWDF**") to support the flood relief and post-disaster recovery. Together with the Beijing Women and Children's Development Foundation and the Hebei Women and Children's Development Foundation, CWDF purchased summer quilts, disinfectant wipes and other household goods and sent them to the areas affected by natural disasters to support post-disaster reconstruction.

Business Integrity

We are determined to combat corruption, bribery, extortion, fraud and money laundering. We have implemented a series of strict internal rules regarding business integrity to prevent corruption. In addition, we make known our internal integrity policies to our suppliers and other partners. We require our suppliers to sign integrity agreements in which they make written commitment to comply with our anti-corruption and anti-bribery requirements. We also carry out anti-corruption training activities for employees, including Directors, to strengthen employees' awareness of integrity. We encourage our employees to report on non-compliance and have formulated a whistle-blowing policy. Employees can report through various channels such as reporting hotline and e-mail addresses. Our legal team and internal control team are responsible for handling the reports of fraud or bribery incidents. We maintain strict confidentiality of all whistle-blowers.

During the Track Record Period, we had not experienced any instances of corruption and malpractice that had a material adverse effect on our business or were likely to have a material adverse effect on our business.

PROPERTIES

Owned Properties

As of the Latest Practicable Date, we did not own any properties.

Leased Properties

As of the Latest Practicable Date, we leased 89 properties with an aggregate floor area of approximately 101,476 sq.m. from third parties, mainly for our self-operated stores, office spaces, production and warehousing facilities. We will consider renewing the leases upon their expiry.

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, our leased properties with title defects included:

(a) 18 leased properties used for self-operated stores, office spaces and warehousing facilities with an aggregate floor area of approximately 1,473 sq.m. For these properties, the lessors failed to provide valid property ownership certificates and/or construction permits.

(b) four leased properties used as our self-operated stores, office space and warehousing facilities with an aggregate floor area of approximately 1,043 sq.m. For these properties, the lessors did not provide authorizations from the property owners for the lessors to sublease the properties.

(c) two leased properties used as our office space and warehousing facility with an aggregate floor area of approximately 179 sq.m. Such property was used in a manner inconsistent with the respective planned property usage contained in the respective property ownership certificate.

(d) two leased properties used as our self-operated store and office space with an aggregate floor area of approximately 90 sq.m. These leased properties on which our self-operated store and office space are located are properties on the state-owned allocated land which failed to obtain the leasing approval from the land administration department.

For the title defects listed above, as advised by our PRC Legal Advisor, it is the relevant lessors' responsibility to comply with the relevant requirements, such as (i) to obtain the relevant ownership certificate and/or construction permit; (ii) to obtain the property owner's approval before subleasing; (iii) to ensure that the actual usage of the property complies with the planned usage of the property and the land; and (iv) to obtain the leasing approval from the land administration department. As a tenant, we are not subject to any administrative punishment or penalties under relevant laws and regulations. However, our use of the leased properties with title defects may be affected by third parties' claims or challenges against the lease. As a result, the relevant lease agreements may be deemed unenforceable in accordance with the relevant laws and regulations, and we may be required to vacate from such properties. For the leased properties without construction permit, the relevant leased agreements may be deemed invalid and the premises on the relevant leased properties may be ordered to be demolished by the competent authorities and we may not be able to continue using such premises. In addition, our occupation and usage of properties listed under (a), (c) and (d) above may face challenges from the government authorities.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, the leased properties with title defects listed above were not challenged by third parties or relevant authorities, as applicable, that could affect our use of such properties. Upon expiry of these lease agreements, we will assess the legal risk when renewing the relevant lease agreements. Considering the nature of the above-mentioned title defects, if we are not able to continue to use such leased properties due to such title defects, we expect to be able to identify alternative places for relocation in a timely manner without incurring material related loss due to the limited number of leased properties with title defects, which will not cause a material interruption to our operations. Our Directors believe that these title defects would not cause a material adverse impact on our business, operations and financial results.

Lease Registration and Filing

As of the Latest Practicable Date, 82 lease properties with an aggregate floor area of approximately 77,596 sq.m. used as our self-operated stores, production and warehousing facilities and office spaces had not been registered and filed with the relevant land and real estate administration bureaus in the PRC.

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 impose a fine ranging from RMB1,000 to RMB10,000 on each lease agreement that is not registered and filed. The aggregate amount of the maximum fine will be approximately RMB0.8 million. 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. During the Track Record Period, we have not been subject to any administrative penalties imposed by the competent authorities for failing to complete the registration and filing of the lease agreements.

LEGAL PROCEEDINGS, LICENSES, REGULATORY APPROVALS AND NON-COMPLIANCE

We are currently not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceedings, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

Except as disclosed in this document, our Directors confirm that as of the Latest Practicable Date, we had complied with all relevant PRC laws and regulations in all material respects and have obtained all material licenses, approvals and permits from relevant regulatory authorities for our operations in China.

INTELLECTUAL PROPERTY

We currently operate our retail network under the *Auntea Jenny*, *Version Lite* and *Jenny x Coffee* brand concepts. As of the Latest Practicable Date, we had registered 9 patents, 1,200 trademarks, 42 copyrights and 5 software copyrights in China. For details, see "Appendix IV — Statutory and General Information — Further Information about Our Business — Intellectual Property Rights."

A number of know-how and trade secrets are also vital to our operations. We rely on protection provided by applicable trademark laws, implementation of intellectual property management policies, installation of secure information technology systems and confidentiality arrangements with employees who can obtain relevant information and third parties who can obtain our exclusive know-how and trade secrets to protect relevant intellectual property rights.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain, use and imitate our brand names, trademarks, copyrights and other intellectual properties. It is difficult to monitor unauthorized use of such intellectual properties. In addition, our competitors may independently develop technology and/or know-how similar to ours. Our precautions may not prevent misappropriation or infringement of our intellectual property. See "Risk Factors — Risks Relating to Our Business and the Industry — We may not be able to adequately protect our intellectual property, which could harm the value of our brands and adversely affect our business and results of operations." During the Track Record Period and as of the Latest Practicable Date, to the best of our knowledge, we had not been subject to any material intellectual property claims which could have a material adverse effect on our business or operations.

OUR EMPLOYEES

As of September 30, 2023, we had a total number of 1,708 full-time employees located in China. The following table sets forth our full-time employees by functions as of September 30, 2023.

Function	**Number of employees**
Operation and store management	792
Self-operated stores	270
Branding and marketing	88
General and administration	103
Technology, research and development	117
Supply chain and production	338
Total	**1,708**

Our success, to a considerable extent, depends upon our ability to attract, motivate and retain a sufficient number of qualified employees. Therefore, we design and offer various training programs for employees of different departments and positions, covering subjects from operation, digitalization, research and development, branding and marketing, career advancement, as well as general management, in order to enhance their professional skill sets and understanding of our company and the industry.

We enter into individual employment contracts with all of our employees. We also enter into confidentiality agreements with senior management and key personnel. We have developed a performance evaluation system to assess the performance of our employees annually, which forms the basis for determining the salary levels, bonuses and promotions an employee may receive. Save as disclosed below, we believe that we have complied with the relevant national and local labor and social welfare laws and regulations in China in all material respects. We have not experienced any significant labor disputes during the Track Record Period which have adversely affected or are likely to have adverse effects on our business operations. We believe we have maintained a good relationship with our employees and we did not have any material labor disputes during the Track Record Period.

Social Insurance and Housing Provident Funds

According to the relevant PRC laws and regulations, we are required to make contributions to the social insurance fund and housing provident fund for the benefit of our employees in China. During the Track Record Period, certain of our PRC subsidiaries did not register for and/or make full contributions to social insurance and housing provident fund in accordance with the Regulations on Administration of Housing Provident Fund《住房公積金管理條例》and the Social Insurance Law of the PRC《中華人民共和國社會保險法》. Such non-compliance incidents occurred primarily because the implementation or interpretation of the PRC laws and regulations by local authorities varies, and our lack of correct understanding of certain administrative personnel handling the social security insurance and housing provident fund contributions of the relevant PRC laws and regulations. We estimate that the aggregate shortfall of social insurance and housing provident fund contributions in 2021, 2022 and the nine months ended September 30, 2023 amounted to approximately RMB16.5 million, RMB22.4 million and RMB18.3 million, respectively.

Potential Legal Consequences and Latest Status

Pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance premiums within a prescribed time limit and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of the overdue payment. Pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

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 take such rectification measures promptly within the specified period; (v) Mr. Shan and Ms. Zhou have made an undertaking that if the relevant government authorities require us to pay the shortfall of social insurance and/or housing provident funds before the [**REDACTED**] or impose any penalties, Mr. Shan and Ms. Zhou will bear the relevant costs or losses to ensure that we are fully indemnified against any costs or losses arising thereof; and (vi) 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 proactively maintained communication with local government authorities in relation to the implementation and interpretation of the relevant PRC laws and regulations. We will continue to seek and follow their guidances in relation to matters regarding social insurance and housing provident fund.

Remedial Measures

We have reviewed our practice and adopted or plan to adopt remedial measures, including:

- We have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund;

- We will consult our PRC counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

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.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

We have developed and implemented risk management policies and internal control measures in relation to our business operations, financial reporting and general compliance.

- For our risk management, we design a comprehensive set of policies to identify, analyze, categorize, mitigate and monitor various risks. We periodically assess and update our risk management policies. Our risk management policies also set forth the reporting hierarchy of risks identified in our operations. Our Board is responsible for overseeing the overall risk management.

- For our internal control system, we carry out regular internal evaluation and training to ensure that our employees are equipped with sufficient knowledge on our internal control measures and relevant laws and regulations.

In August 2023, we engaged an independent consultant team to perform an assessment over our internal control. The key areas include entity level control, financial reporting and disclosure, R&D and IP management, management policies over sales, procurement, cash and treasury management, franchisee management, inventory management, human resources and payroll, fixed assets and IT general controls.

We have adopted a set of procedures and measures based on the suggestion of our internal control consultant to further enhance the effectiveness of our internal controls and corporate governance practice. In particular, we plan to implement the following internal control measures:

- We plan to promulgate well-rounded policies and procedures to enhance our internal control and risk management, especially in the key areas of corporate governance as a listed company on the Stock Exchange. For instance, we plan to establish policies and procedures in relation to conflict of interests, securities trading activities by our Directors and employees, major transactions reviewal and approvals, key accounting matters and compliance supervision, among others;

- We plan to provide trainings to our Directors, management and employees to continuously raise their awareness of the importance of internal controls and legal compliance. We intend to continue to provide trainings for Directors and management with respect to the Listing Rules and duties of Directors of a listed company on the Stock Exchange; and

- We plan to improve other key aspects of general internal control, such as improve our internal corporate structures to implement operating efficiency, setting down engagement and management procedures for independent directors, company secretaries and accounting personnel, conducting group-wide periodic internal control and risk management assessment, developing anti-bribery, anti-fraud and anti-money laundering procedures, launching trade secret protection systems, enhancing product quality management, improving compliance management procedures, among others.

Third-party Payment Arrangement

Background

During the Track Record Period, some of our franchisees (individual or collectively, the "**Third-party Payment Customer(s)**") settled their payments with our certain entities ("**our Third-party Payment Entities**") through the accounts of third parties designated by these Third-party Payment Customers (the "**Third-party Payment Arrangement**"). We had ceased the Third-party Payment Arrangement by December 19, 2023.

In 2021, 2022 and the nine months ended September 30, 2023, a total number of 1,368, 1,459, and 139 Third-party Payment Customers utilized the Third-Party Payment Arrangements to settle payments with us, respectively. During the same periods, the aggregate amount of payment from designated third parties to us was RMB452.4 million, RMB205.6 million and RMB27.7 million, respectively, representing approximately 25.7%, 8.9% and 1.0% of the total payments received from all customers, respectively. During the Track Record Period, no individual Third-party Payment Customer had made material contribution to our revenue.

Our Directors have confirmed that, to the best of their knowledge, other than two Third-party Payment Customers who were the Company's connected persons that designated their employees to make payments on behalf of the franchised stores owned by them, none of the Third-party Payment Customers during the Track Record Period was a connected person of the Company. The aggregate payments made by such third-party payors on behalf of the franchised stores owned by the connected persons of the Company were approximately RMB1.0 million, RMB0.5 million and RMB2,000, in 2021, 2022 and the nine months ended September 30, 2023, accounting for less than 0.3% of the total payments received from all customers in each period. During the Track Record Period, the third-party payors designated by the Third-party Payment Customers primarily consisted of their employees, family members and friends. Our Directors have confirmed that none of the designated third-party payors of any Third-party Payment Customers during the Track Record Period is a connected person of the Company, and such designated third-party payors are independent from each of our Directors, Supervisors, senior management and Shareholders.

Our Directors confirm that, during the Track Record Period, (i) we did not proactively initiate any Third-party Payment Arrangement or participated in other forms in any of such arrangement; (ii) we did not provide any discount, commission, rebate or other benefit to any of the Third-party Payment Customers to facilitate or incentivize the Third-party Payment Arrangement; and (iii) the pricing and payment terms of the agreements we entered into with the Third-party Payment Customers were in line with franchisees not involved in the Third-party Payment Arrangement.

Reasons for Utilizing Third-party Payment Arrangement

As confirmed by CIC, it is not uncommon for franchisees to settle their corporate transactions through third-party payors, including but not limited to their employees, family members and friends. The Third-party Payment Customers' use of the Third-party Payment Arrangement was primarily due to the following reasons:

- *Payment convenience*. Franchised stores are generally small-sized private businesses. Some of them prefer to have arrangements with third-party payors relating to settlements for their payments, such as using bank accounts of their financial staff or store managers. For convenience, some franchisees also settle their corporate transactions through accounts of their family members and friends.

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

Termination and Implication of Third-party Payment Arrangement

We had ceased all Third-party Payment Arrangement by December 19, 2023. We consider that the termination of the Third-party Payment Arrangement did not have and is not expected to have, any material adverse effect on our business, operations and financial results.

We communicated with Third-party Payment Customers and their designated third-party payors involved in the Third-party Payment Arrangement during the Track Record Period and has obtained confirmations from a majority of the Third-party Payment Customers, including among others:

(i) the Third-party Payment Customers and their designated third-party payors did not receive any financial aid from us or our former or then Directors, Supervisors, members of senior management, substantial shareholders or their respective associates, or employees. Funds involved in the third-party payment delegation were legal and would not be used for illegal activities such as money laundering or tax evasion;

(ii) the risks arising from the Third-party Payment Arrangement shall be borne by the Third-party Payment Customers and their designated third-party payors and not by us;

(iii) the Third-party Payment Customers and their designated third-party payors were not involved in any controversies or disputes arising from the payment arrangement between the Third-party Payment Customers and their designated third-party payors. In addition, they are not subject to any investigation or penalty by any authority in relation to the Third-party Payment Arrangement. The designated third-party payors have not and will not request for the return of funds paid to us under the Third-Party Payment Arrangement;

(iv) each of the Third-party Payment Customers and their designated third-party payors has neither claimed nor will claim any rights and interests regarding payments made to us through the Third-Party Payment Arrangement. We have not designated any person or company to act as the third-party payors;

(v) all settlements with us were backed by genuine business transactions and settlement amounts were consistent with the relevant transaction amounts;

(vi) the third-party payment arrangement was a voluntary arrangement between the Third-party Payment Customers and their designated third-party payors. We did not propose any such arrangement and, except for accepting the payments, did not participate in such arrangement in any other way;

(vii) we are not bound by any rights and obligations relating to the Third-Party Payment Arrangements between the Third-party Payment Customers and their designated third-party payors, and any associated risks are to be borne by the Third-party Payment Customers and their designated third-party payors, not by us.

As advised by our PRC Legal Advisor, (i) the Third-Party Payment Arrangements do not violate any mandatory provisions of applicable laws or regulations in China; and (ii) considering that (a) the confirmations have been obtained from majority of the Third-party Payment Customers participating in the Third-Party Payment Arrangement in China during the Track Record Period, and (b) 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 Arrangement, as to the parties who have provided the confirmations mentioned above, the risk that we are found obligated to return the funds is remote.

As confirmed by the Company, (i) the Third-party Payment Arrangement was initiated by the Third-party Payment Customers and was not an arrangement by the Company to circumvent applicable tax laws and regulations or other applicable laws and regulations in China. All the customer payments previously received under the Third-party Payment Arrangement were duly booked according to the accounting procedures and policies, (ii) our Third-party Payment Entities had not been identified for violating any applicable tax laws as a result of the Third-party Payment Arrangement during the Track Record Period, (iii) we only accept payments from the third-party payors by remittance from licensed banks, and thereby ensuring the funding has undergone and satisfied the anti-money laundering requirements implemented by the licensed banks and (iv) our Third-party Payment Entities had not been subject to any disputes or administrative penalties by the relevant government authorities with respect to the Third-party Payment Arrangement as of the Latest Practicable Date.

Internal Control Measures

We are subject to various risks in relation to the Third-party Payment Arrangement. For details, see "Risk Factors — Risks Relating to Our Business and Industry — We are subject to various risks relating to third-party payment arrangement." We have adopted internal control measures to mitigate related risks and prevent future occurrences of the Third-party Payment Arrangement, including but not limited to the following:

- *Information collection*. We require franchisees to provide their bank account information, including account owners' names, ID numbers, cell phone numbers and bank card numbers, for transactions with us in the relevant franchise agreements. When collecting the bank account information, we require all of our existing franchisees to settle payments with us through their own bank accounts.

- *Account verification*. We have implemented a whitelist consisting of only the franchisees' own bank accounts provided in the franchise agreements. In the event a franchisee initiates a payment request, the transaction will be allowed to proceed only if the payor's bank account is included in our whitelist of permitted bank accounts. Otherwise, the transaction request will be rejected.

- *Training*. We regularly provide internal training on third-party payment to our employees and assign dedicated employees to conduct periodic inspections on franchisees to improve their awareness in this regard.

We conduct regular review on the effectiveness of the aforesaid internal control measures and promptly address any abnormalities and malfunctions. Our legal and finance center is responsible for providing detailed review results and reporting the results to the management periodically. Our Directors are of the view that the foregoing internal control measures are effective and adequate in preventing Third-party Payment Arrangement and associated risks, and our Directors will oversee the effectiveness of the aforementioned internal controls on the Third-party Payment Arrangement in the future.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included in the Accountants' Report in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us 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. You should not place undue reliance on any such statements. Our actual future results and timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors," "Forward-Looking Statements" and elsewhere in this document. We have prepared our consolidated financial statements in accordance with IFRS.

For the purpose of this section, unless the context otherwise requires, reference to the years of 2021 and 2022 refer to the years ended December 31, 2021 and 2022, respectively.

OVERVIEW

We are a leading and fast-growing freshly-made beverage company, operating the fourth largest network of freshly-made tea shops in China as of September 30, 2023 according to CIC, with extensive reach into the lower-tier markets. We are also the fastest-growing freshly-made tea shop brand in terms of the growth rates of system-wide store count and GMV among the five largest brands in China in terms of system-wide store count in 2022 and the nine months ended September 30, 2023 according to CIC. In 2013, we opened the first *Auntea Jenny* store offering "grainy milk tea" (五穀奶茶) — milk tea with grain toppings. In 2019, we began to offer fresh fruit tea which was welcomed by our customers and enabled our rapid nationwide expansion, including the southern regions. In addition, we have expanded our product offerings through *Jenny x Coffee* and *Version Lite* to reach a wider range of consumers. As of September 30, 2023, our store network of 7,297 stores covered all four centrally administered municipalities and over 300 cities in five autonomous regions and 22 provinces in China. According to CIC, in terms of system-wide store count as of September 30, 2023, we ranked (i) first among mid-priced freshly-made tea shop brands in northern China, (ii) third among mid-priced freshly-made tea shop brands in China, and (iii) fourth in China's freshly-made tea shop industry.

During the Track Record Period, we generated revenue mainly from (i) franchising and (ii) self-operated stores. Our franchise-related revenue includes (i) sales of goods, including ingredients, packaging and other raw materials, as well as equipment, to franchisees, and (ii) franchising service fees for operation, training, marketing and other various support, which are primarily linked to the procurement amount by our franchisees. We also sell products directly to consumers from our self-operated stores and record revenue from such sales.

We experienced significant business growth during the Track Record Period. Our system-wide store count increased by 40.5% from 3,776 stores as of December 31, 2021 to 5,307 stores as of December 31, 2022, and increased by 48.1% from 4,926 stores as of September 30, 2022 to 7,297 stores as of September 30, 2023. Our GMV increased by 45.8% from RMB4,161.1 million in 2021 to RMB6,068.0 million in 2022, and by 57.7% from RMB4,554.4 million in the nine months ended September 30, 2022 to RMB7,183.0 million in the nine months ended September 30, 2023. Our total revenue increased by 34.0% from RMB1,640.4 million in 2021 to RMB2,199.0 million in 2022, and by 54.1% from RMB1,644.6 million in the nine months ended September 30, 2022 to RMB2,535.0 million in the nine months ended September 30, 2023. Our gross profit increased by 64.0% from RMB357.5 million in 2021 to RMB586.3 million in 2022, with gross profit margin increased from 21.8% to 26.7% in the same years, and by 82.3% from RMB433.3 million in the nine months ended September 30, 2022 to RMB789.8 million in the nine months ended September 30, 2023, with gross profit margin increased from 26.3% to 31.2% in the same periods.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Consumer Demand for Freshly-made Tea Beverage

Our results of operations have been and are expected to be affected by consumer demand for freshly-made tea beverage. Strong growth of China's freshly-made tea beverage industry, especially in the lower-tier markets, have been, and is expected to be, the major driver for our business growth. According to the CIC Report, the market size of freshly-made tea shop in terms of GMV in China increased from RMB55.6 billion in 2017 to RMB168.0 billion in 2022 with a CAGR of 24.8%, and is expected to further increase from RMB168.0 billion in 2022 to RMB451.3 billion in 2027 with a CAGR of 21.9%. In particular, third and lower-tier cities in China, which have a substantial population, accounted for 43.6% of China's freshly-made tea shop market in 2022 and is the largest and is expected to be the fastest-growing segment in China from 2022 to 2027 in terms of GMV with a CAGR of 25.4%. Our market leading position in the lower-tier markets with an extensive network of 3,578 stores in third and lower-tier cities as of September 30, 2023 position us well in capitalizing on such growth trend.

Many factors, including economy and culture, may affect the consumer demand for freshly-made tea beverage in China. China's per capita disposable income has been increasing alongside its economic growth, which gradually shifted the consumption habits of the Chinese population to more upscale product offerings and led to the significant growth in demand for high-quality freshly-made tea beverage. Moreover, consumers in China are becoming more mindful of factors such as food safety, nutritional content and the quality of ingredients. Companies that provide fresh, healthy and innovative beverages with affordable prices have captured consumers' attention. As a result, according to the CIC Report, China's freshly-made tea drinking population has increased from 211.9 million in 2017 to 294.1 million in 2022, with a CAGR of 6.8%, and the annual consumption of freshly-made tea beverage per capita in China has increased from 4.2 cups in 2017 to 9.1 cups in 2022. With the continuous ascent of China's per capita disposable income and residents' purchasing power, China's freshly-made tea drinking population is expected to reach 446.3 million in 2027, representing a CAGR of 8.7% from 2022 to 2027, and the annual consumption of freshly-made tea beverage per capita in China is expected to reach 22.8 cups in 2027, representing a CAGR of 20.2% from 2022 to 2027.

Other factors such as product offering and consumer experience also affect consumer demand. In light of growing competitiveness within the freshly-made tea shop industry, freshly-made tea shop brands have been diversifying their product offerings and innovating, which extended to areas such as tea base extraction techniques, scents and the use of distinctive fruit and other ingredients. To satisfy the diverse taste preference of consumers, we offer a wide range of products under the *Auntea Jenny* brand concept which we make regular seasonal updates, with fresh fruit tea, milk tea and yogurt being the major menu items. We offer various types of coffee under *Jenny x Coffee*, and we plan to roll out "oriental latte," including coffee latte, tea latte and coffee-tea latte to broaden our addressable market. We also offer more price-for-value option of tea drinks under *Version Lite*. In terms of consumer experience, we offer a seamless and convenient shopping experience for our customers through efficient store planning and the use of a wide range of technologies such as digital payment and online ordering systems. As a leading freshly-made tea beverage brand in China, we believe we are well-positioned to capture the massive growth opportunities in consumer demand for freshly-made tea beverage products.

Expansion and Performance of Our Store Network

During the Track Record Period, we generated a substantial majority of revenue from our franchising operation, mainly consisting of (i) sales of goods, including ingredients, packaging and other raw materials, as well as equipment, to franchisees, and (ii) franchising service fees for operation, training, marketing and various other support, which are primarily linked to the procurement amount by our franchisees. See "— Principal Components of Results of Operations — Revenue." Therefore, the number of our franchisees and our franchised stores could significantly affect our results of operations. As of December 31, 2021 and 2022 and September 30, 2023, we had 3,711, 5,244 and 7,245 franchised stores, revenue from which accounted for 94.9%, 94.2% and 96.1% of our total revenue in 2021, 2022 and the nine months ended September 30, 2023. We plan to continue our expansion and replicate our success through further penetration of existing markets in China, especially in lower-tier markets to capture the growth potential, mainly through our franchised stores. See "Business — Growth Strategies — Further penetrate existing markets and grow our online and offline store network and online sales channel."

Sales of goods to franchisees accounted for a substantial majority of our revenue from our franchising operations. In 2021, 2022 and the nine months ended September 30, 2022 and 2023, revenue from sales of goods to franchisees accounted for 75.7%, 77.7%, 77.9% and 79.7% of our revenue from our franchising operations, respectively. The performance of our franchised stores strongly affects their procurement volume with us, which in turn affects our results of operations. To improve the performance of stores within our network, we established a comprehensive management system, which involves periodic evaluation of performance of each store in our network as well as their adherence to our uniform standards or policies, and the analysis of the comprehensive data compiled by our advanced information technology system to help stores improve their operation and management. Moreover, to further stimulate our franchisees' enthusiasm to expand and explore new markets, we encourage one franchisee to open more than one franchised store and offer a comprehensive support system for our franchisees to establish their businesses. See "Business — Our Store Network — Operation Management." Separately, as we continued to optimize the store layout and procure cost-effective equipment with lower average selling prices, spending on equipment in connection with opening a new store continued to decrease during the Track Record Period. This further strengthened our low-initial investment value proposition to potential franchisees.

Franchising Terms

The terms of our franchise agreement directly affect our ability to attract qualified franchisees, our ability to penetrate in the lower-tier markets and our franchise-related revenue. Our franchisees typically agree to pay us initial payments including (i) a non-refundable upfront franchise fee at initial signing, which may be paid in installments and recognized as our revenue over the duration of the franchise period, (ii) a fixed refundable franchise deposit at the beginning of the franchise period to ensure our franchisees' full compliance with the terms set forth in the franchise agreement, which we do not recognize as revenue, and (iii) full or partial purchase cost for equipment, as well as recurring payments including (i) purchase cost for ingredients, packaging and other raw materials and (ii) franchising service fees for operation, training, marketing and other various support, which are primarily linked to the procurement amount by our franchisees. Any change to the terms of the franchise agreements may affect our results of operations. For example, in the second half of 2021, we lowered the rate for franchising service fees to provide more attractive franchising terms to our franchisees, which resulted in a slower growth of revenue from franchising services from 2021 to 2022 as compared with revenue from sales of goods to franchisees.

Going forward, as we continue our expansion, we aim to continue optimize our franchising terms to create a mutually beneficial arrangement to strengthen our ability to attract qualified franchisees in furtherance of our expansion plan in the lower-tier markets while ensuring a robust stream of revenue.

Our Ability to Control Costs and Operating Expenses

The procurement prices of our ingredients, packaging and other raw materials and equipment directly affected our cost of sales and our gross profit. In particular, the procurement costs for ingredients and other raw materials consists of the largest component of our cost of sales, accounting for 78.5%, 79.0%, 79.7% and 80.2% of our total cost of sales in 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively. The market prices of raw materials we mainly use, including tea, fruit and dairy products, fluctuated in the past and may fluctuate in the future. According to the CIC Report, the consumer price index of fruits, one of the key ingredients we procure, fluctuated in recent years which decreased from 112.3 in 2019 to 88.9 in 2020 and then increased to 112.9 in 2022. The ability to obtain favorable procurement prices is crucial to our cost control. Our rapid growth of business scale and centralized procurement platform equips us with increasing bargaining power, enabling us to negotiate with our suppliers for favorable pricing, which had a positive impact on our cost of sales and our results of operations. Moreover, to control our costs and enhance our profitability, we increased the use of contract manufacturers for production of certain ingredients. As such, we grew our gross profit margin from 21.8% in 2021 to 31.2% in the nine months ended September 30, 2023. We will continue to explore means to improve our profitability in the future along with our growing business scale and gradually mature supply chain.

The following sensitivity analysis illustrates the effects of hypothetical fluctuation in our average procurement price of ingredients and other raw materials on our gross profit for the periods indicated, assuming all other factors affecting our profitability had remained unchanged.

	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
	(in RMB thousands)			
Change in average procurement price of ingredients and other raw materials				
-/+ 5%	+/-50,369	+/-63,697	+/-48,295	+/-69,987
-/+ 10%	+/-100,737	+/-127,394	+/-96,589	+/-139,974

Our results of operations are also subject to our ability to control operating expenses. During the Track Record Period, our operating expenses increased in absolute terms. See "— Principal Components of Results of Operations — Selling and Marketing Expenses," "— Administrative Expenses" and "— Research and Development Expenses." Such increase was primarily in line with our rapid business growth. Going forward, as we enhance our operating efficiency through measures, including further digitalization of our franchising management and supervision system, and achieve better economies of scale, we expect our operating expenses to decrease as a percentage of our revenue.

THE IMPACT OF THE PANDEMIC OUTBREAK

During the Track Record Period, as affected by the pandemic outbreak from 2020 to 2022 and the related restrictive measures taken by the PRC government, the social networking, business activities and consumer traffic declined, which in turn had an adverse impact on the freshly-made tea shops market in China. For instance, the number of our closed franchised stores increased from 210 in 2021 to 393 in 2022.

However, our business maintained an upward trend despite the challenges from the pandemic during the Track Record Period, which was partially due to the growth in online delivery orders during the pandemic outbreak. Our franchised store count increased from 3,711 as of December 31, 2021 to 5,244 as of December 31, 2022. Our revenue increased by 34.0% from RMB1,640.4 million in 2021 to RMB2,199.0 million in 2022.

BASIS OF PREPARATION

Our financial information has been prepared in accordance with 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 the Group in the preparation of our financial information throughout the Track Record Period.

Our financial information has been prepared under the historical cost convention, except for financial investments or assets at fair value through profit or loss which have been measured at fair value.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATES

Note 3 to "Appendix I — Accountants' Report" to this document sets forth certain material accounting policy information, which are important for understanding our financial conditions and results of operations. Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in Note 4 to "Appendix I — Accountants' Report." The preparation of our financial information requires our management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and 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. See Notes 3 and 4 to "Appendix I — Accountants' Report."

RESULTS OF OPERATIONS

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	(in RMB thousands, except for percentages)							
					(Unaudited)			
Revenue	**1,640,442**	**100.0%**	**2,199,005**	**100.0%**	**1,644,601**	**100.0%**	**2,535,029**	**100.0%**
Cost of sales	(1,282,909)	(78.2)%	(1,612,726)	(73.3)%	(1,211,256)	(73.7)%	(1,745,257)	(68.8)%
Gross profit	**357,533**	**21.8%**	**586,279**	**26.7%**	**433,345**	**26.3%**	**789,772**	**31.2%**
Other income and gains, net	12,282	0.7%	26,976	1.2%	19,475	1.2%	42,048	1.7%
Selling and marketing expenses	(177,951)	(10.8)%	(278,471)	(12.7)%	(211,875)	(12.9)%	(256,496)	(10.1)%
Administrative expenses	(70,767)	(4.3)%	(113,228)	(5.1)%	(75,827)	(4.6)%	(118,338)	(4.7)%
Research and development expenses	(5,867)	(0.4)%	(13,260)	(0.6)%	(8,874)	(0.5)%	(19,215)	(0.8)%
Finance costs	(2,592)	(0.2)%	(6,356)	(0.3)%	(4,871)	(0.3)%	(5,205)	(0.2)%
Profit before tax	**112,638**	**6.9%**	**201,940**	**9.2%**	**151,373**	**9.2%**	**432,566**	**17.1%**
Income tax expense	(29,239)	(1.8)%	(52,470)	(2.4)%	(39,241)	(2.4)%	(108,839)	(4.3)%
Profit for the year/period	**83,399**	**5.1%**	**149,470**	**6.8%**	**112,132**	**6.8%**	**323,727**	**12.8%**
Attributable to								
Owners of the parent	83,399	5.1%	149,470	6.8%	112,132	6.8%	323,727	12.8%

NON-IFRS MEASURE

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted profit for the year/period (a non-IFRS measure) and adjusted net profit margin (a non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period by eliminating potential impact of items that our management does not consider to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated financial statements in the same manner as they help our management. However, our presentation of adjusted profit for the year/period (a non-IFRS measure) and adjusted net profit margin (a non-IFRS measure) may not be comparable to similar item measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our consolidated financial statements or financial condition as reported under IFRS. We define adjusted profit for the year/period as profit for the year/period adjusted for share-based payment expenses and **[REDACTED]**. We define adjusted net profit margin (a non-IFRS measure) as adjusted profit for the year/period as a percentage of total revenues.

	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
	(in RMB thousands, except for percentages)			
			(Unaudited)	
Profit for the year/period	83,399	149,470	112,132	323,727
Add:				
Share-based payment expenses[1]	1,344	4,843	3,397	4,340
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted profit for the year/period (a non-IFRS measure)	**84,743**	**154,313**	**115,529**	**[REDACTED]**
Adjusted net profit margin (a non-IFRS measure)	5.2%	7.0%	7.0%	**[REDACTED]**

Notes:

(1) Share-based payment expenses relate to the share rewards we granted to our employees, which is a non-cash item.

(2) **[REDACTED]** represent the fees incurred in relation to the **[REDACTED]**, which is a non-recurring item.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue mainly from (i) franchising and (ii) self-operated stores. Our franchise-related revenue includes (i) sales of goods, including ingredients, packaging and other raw materials, as well as equipment, to franchisees, and (ii) franchising service fees for operation, training, marketing and other various support, which are primarily linked to the procurement amount by our franchisees. We also sell products directly to consumers from our self-operated stores and record revenue from such sales.

By Nature

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	(in RMB thousands, except for percentages)							
					(Unaudited)			
Franchise-related revenue								
Sales of goods to franchisees	1,241,650	75.7%	1,707,422	77.7%	1,280,298	77.9%	2,020,786	79.7%
Sales of ingredients and other raw materials	1,130,328	68.9%	1,597,758	72.7%	1,198,384	72.9%	1,892,097	74.6%
Sales of equipment	111,322	6.8%	109,664	5.0%	81,914	5.0%	128,689	5.1%
Franchising services	315,633	19.2%	364,722	16.6%	266,566	16.2%	415,397	16.4%
Sub-total	**1,557,283**	**94.9%**	**2,072,144**	**94.3%**	**1,546,864**	**94.1%**	**2,436,183**	**96.1%**
Revenue from self-operated stores	83,132	5.1%	126,076	5.7%	97,114	5.9%	95,105	3.8%
Others[(1)]	27	0.0%	785	0.0%	623	0.0%	3,741	0.1%
Total	**1,640,442**	**100.0%**	**2,199,005**	**100.0%**	**1,644,601**	**100.0%**	**2,535,029**	**100.0%**

Note:

(1) Others mainly include revenue from sales on several e-commerce platforms and fees for paid membership benefit cards introduced in certain cities in December 2022. See "Business — Marketing and Promotion — Our Membership Program."

Our revenue grew during the Track Record Period as we grew our system-wide store count. Our system-wide stores increased from 3,776 as of December 31, 2021 to 5,307 as of December 31, 2022 and further to 7,297 as of September 30, 2023.

During the Track Record Period, we generated a substantial majority of our revenue from franchising, which accounted for over 90% of our total revenue during each of 2021, 2022 and the nine months ended September 30, 2022 and 2023. We expect to continue expanding our store network mainly through franchisees, and thus the revenue contribution from franchised stores in the future is expected to be maintained at a high level.

Our revenue from others increased rapidly in the nine months ended September 30, 2023, primarily due to (i) our enhanced online sales as we launched popular products such as *Little Milky Brick Toast* on e-commerce platforms, and (ii) the introduction of our paid membership benefit cards which provide additional benefits and discounts.

By City Tier

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	(in RMB thousands, except for percentages)							
First-tier cities	189,532	11.6%	386,840	17.60%	287,174	17.5%	466,564	18.4%
New first-tier cities	476,071	29.0%	518,123	23.60%	392,461	23.9%	536,271	21.2%
Second-tier cities	295,496	18.0%	364,356	16.60%	271,042	16.5%	438,107	17.3%
Third and lower-tier cities	679,343	41.4%	929,686	42.20%	693,924	42.1%	1,094,087	43.1%
Total	**1,640,442**	**100.0%**	**2,199,005**	**100.0%**	**1,644,601**	**100.0%**	**2,535,029**	**100.0%**

During the Track Record Period, the revenue from lower-tier markets was the largest component of revenue as a result of our strategical focus on third and lower-tier cities. As the freshly-made tea shop market in third and lower-tier cities in China is the largest and fastest-growing segment with significant potential for future growth from 2022 to 2027, we expect to continue implementing our strategy of focusing on lower-tier markets and record a large portion of revenue from them.

Cost of Sales

During the Track Record Period, our cost of sales primarily consisted of costs associated with (i) goods, primarily including ingredients and other raw materials used in the preparation of our products and equipment, (ii) franchising services and (iii) the operation of self-operated stores, including cost of ingredients and other raw materials, rental costs, staff costs and utility costs. In particular, our costs of ingredients and other raw materials mainly include procurement costs of ingredients and other raw materials, logistic costs, manufacturing costs, staff costs and other tax and surcharges.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	(in RMB thousands, except for percentages)							
					(Unaudited)			
Franchise-related costs								
Cost of goods								
Cost of ingredients and other raw materials	1,015,199	79.1%	1,313,384	81.4%	988,124	81.5%	1,461,290	83.8%
Cost of equipment	108,944	8.5%	101,540	6.3%	74,830	6.2%	116,230	6.7%
Cost of franchising services	84,918	6.6%	85,662	5.3%	62,615	5.2%	96,441	5.5%
Sub-total	**1,209,061**	**94.2%**	**1,500,586**	**93.0%**	**1,125,569**	**92.9%**	**1,673,961**	**96.0%**
Costs from self-operated stores	73,833	5.8%	111,854	7.0%	85,473	7.1%	70,530	4.0%
Other costs[(1)]	15	0.0%	286	0.0%	214	0.0%	766	0.0%
Total	**1,282,909**	**100.0%**	**1,612,726**	**100.0%**	**1,211,256**	**100.0%**	**1,745,257**	**100.0%**

Note:

(1) Other costs represent cost of sales for products sold on the e-commerce platforms.

Gross Profit and Gross Profit Margin

	Year Ended December 31,				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
	(in RMB thousands, except for percentages)							
					(Unaudited)			
From franchising								
Sales of goods								
Sales of ingredients and other raw materials	115,129	10.2%	284,374	17.8%	210,260	17.5%	430,807	22.8%
Sales of equipment	2,378	2.1%	8,124	7.4%	7,084	8.6%	12,459	9.7%
Franchising services	230,715	73.1%	279,060	76.5%	203,951	76.5%	318,956	76.8%
Sub-total/Overall	**348,222**	**22.4%**	**571,558**	**27.6%**	**421,295**	**27.2%**	**762,222**	**31.3%**
From self-operated stores	9,299	11.2%	14,222	11.3%	11,641	12.0%	24,575	25.8%
Others	12	44.4%	499	63.6%	409	65.7%	2,975	79.5%
Total/Overall	**357,533**	**21.8%**	**586,279**	**26.7%**	**433,345**	**26.3%**	**789,772**	**31.2%**

During the Track Record Period, our gross profit margin from franchising operations increased as a result of our effective cost control measures, including (i) negotiating for favorable pricing from our suppliers a result of our increased bargaining power attributable to the increase in our procurement and (ii) optimizing our production processes and supply chain management.

Other Income and Gains, Net

Our other income and gains, net primarily comprised (i) government grants, (ii) fair value changes on financial assets and financial investments at fair value through profit or loss, being the wealth management products, structured deposits and financial investment in upstream suppliers, (iii) interest income from bank deposits, (iv) compensation expenses, (v) gains or losses on early termination of leases mainly for our self-operated stores due to the closure or transfer of some of our self-operated stores after presence in the new or underpenetrated markets was established and (vi) donations.

The government grants mainly represent various supports awarded by the local governments to support our operation. The government grants may not be recurring in nature. We recognize the income when the grants were received and all conditions attached are fulfilled.

	Year Ended December 31,		Nine Months Ended September 30,	
	2021	2022	2022	2023
	(in RMB thousands, except for percentages)			
			(Unaudited)	
Government grants	10,710	24,092	13,876	38,058
Fair value changes of financial assets and financial investments at fair value through profit or loss	6,805	3,451	6,601	8,095
Interest income	561	1,515	1,024	4,103
Compensation expenses[(1)]	(4,388)	–	–	–
Gain/(loss) on early termination of leases	93	(697)	(394)	(1,824)
Donations	(425)	(460)	(210)	(4,510)
Others[(2)]	(1,074)	(925)	(1,422)	(1,874)
Total	**12,282**	**26,976**	**19,475**	**42,048**
as % of total revenue	*0.7%*	*1.2%*	*1.2%*	*1.7%*

Notes:

(1) Represent the provision for the settlement of a commercial dispute with a franchisee. Such commercial dispute was settled in 2022.

(2) Primarily include inventory loss, loss of deposits for early termination of leases and bank charges.

Selling and Marketing Expenses

Our selling and marketing expenses primarily comprise (i) employee compensations for our sales and marketing personnel, (ii) marketing and promotion fees, (iii) depreciation and amortization for properties and equipment related to selling and marketing activities and (iv) service fees mainly for online ordering and delivery platform services used by our self-operated stores and software and design services for our marketing activities.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	(in RMB thousands, except for percentages)							
					(Unaudited)			
Employee compensations	68,198	38.3%	108,732	39.0%	79,612	37.6%	89,672	35.0%
Marketing and promotion fees	62,749	35.3%	96,702	34.7%	74,871	35.3%	92,014	35.9%
Depreciation and amortization expense	13,924	7.8%	33,454	12.0%	26,134	12.3%	32,743	12.8%
Service fees	15,675	8.8%	23,119	8.3%	17,562	8.3%	21,474	8.4%
Others[(1)]	17,405	9.8%	16,464	6.0%	13,696	6.5%	20,593	7.9%
Total	**177,951**	**100.0%**	**278,471**	**100.0%**	**211,875**	**100.0%**	**256,496**	**100.0%**
as % of total revenue		*10.8%*		*12.7%*		*12.9%*		*10.1%*

Note:

(1) Mainly include outsourced labor expenses, travel expenses, consumable expenses and utility expenses.

Administrative Expenses

Our administrative expenses primarily comprise (i) employee compensations for our administrative personnel, (ii) service fees mainly for expertise consultancy for our administrative activities, (iii) depreciation and amortization for properties and equipment related to administrative activities, (iv) **[REDACTED]** and (v) traveling expenses.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	(in RMB thousands, except for percentages)							
					(Unaudited)			
Employee compensations	34,299	48.5%	67,288	59.4%	45,994	60.7%	68,045	57.5%
Service fees	20,371	28.8%	13,533	12.0%	8,478	11.2%	15,181	12.8%
Depreciation and amortization expense	8,322	11.8%	20,872	18.4%	14,251	18.8%	18,683	15.8%
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]%
Traveling expenses	2,704	3.8%	2,781	2.5%	1,283	1.7%	2,887	2.4%
Others[1]	5,071	7.1%	8,754	7.7%	5,821	7.6%	8,696	7.4%
Total	**70,767**	**100.0%**	**113,228**	**100.0%**	**75,827**	**100.0%**	[REDACTED]	[REDACTED]%
as % of total revenue		*4.3%*		*5.1%*		*4.6%*		[REDACTED]%

Note:

(1) Mainly include office expenses, outsourced labor costs, utility expenses and consumable expenses.

Research and Development Expenses

Our research and development expenses primarily comprise (i) employee compensations for our research and development personnel, (ii) service fees for expertise consultation, (iii) traveling expenses and (iv) consumables expenses for the research and development.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	(in RMB thousands, except for percentages)							
					(Unaudited)			
Employee compensations	3,713	63.3%	9,584	72.3%	6,677	75.2%	14,664	76.3%
Service fees	808	13.8%	1,428	10.8%	930	10.5%	856	4.5%
Traveling expenses	429	7.3%	253	1.9%	325	3.7%	1,237	6.4%
Consumable expenses	335	5.7%	845	6.4%	471	5.3%	1,154	6.0%
Others[(1)]	582	9.9%	1,150	8.6%	471	5.3%	1,304	6.8%
Total	**5,867**	**100.0%**	**13,260**	**100.0%**	**8,874**	**100.0%**	**19,215**	**100.0%**
as % of total revenue		*0.4%*		*0.6%*		*0.5%*		*0.8%*

Note:

(1) Primarily include depreciation expenses of property, plant and equipment related to research and development activities, outsourced labor expenses and training expenses.

Finance Costs

Our finance costs primarily comprise interest on lease liabilities.

	Year Ended December 31,				Nine Months Ended September 30,			
	2021		2022		2022		2023	
	(in RMB thousands, except for percentages)							
					(Unaudited)			
Interest on lease liabilities	2,592	100.0%	6,347	99.9%	4,871	100%	5,104	98.1%
Interest on interest-bearing bank borrowings	–	–	9	0.1%	–	–	101	1.9%
Total	**2,592**	**100.0%**	**6,356**	**100.0%**	**4,871**	**100.0%**	**5,205**	**100.0%**
as % of total revenue		*0.2%*		*0.3%*		*0.3%*		*0.2%*

During the Track Record Period, our finance costs increased primarily because we leased more warehouses and office area as we continued to expand our business.

Income Tax Expense

Income tax expense primarily represents income tax payable by us under relevant PRC income tax rules and regulations. Income tax expense consists of current income tax and deferred income tax. We recorded income tax expense of RMB29.2 million, RMB52.5 million, RMB39.2 million and RMB108.8 million in 2021, 2022 and the nine months ended September 30, 2022 and 2023, respectively.

Entities located in the PRC are subject to a statutory income tax rate of 25.0%. In 2021 and 2022 and the nine months ended September 30, 2022 and 2023 our effective tax rates (calculated as income tax expense divided by profit before tax) were 26.0%, 26.0%, 25.9% and 25.2%, respectively. Our effective tax rates were higher than the statutory income tax rate during the Track Record Period, primarily because certain expenses were not deductible for tax.

We had certain subsidiaries that enjoyed preferential tax treatments. For example, certain of our PRC subsidiaries were qualified as small and micro enterprises and were entitled to a preferential tax rate of 2.5% for the amount of taxable income below RMB1 million during the years ended December 31, 2021 and 2022 and a preferential tax rate of 5% for the amount of taxable income below RMB1 million during the nine months ended September 30, 2023, a preferential tax rate of 10.0% for the amount of taxable income between RMB1 million and RMB3 million during the year ended December 31, 2021 and a preferential tax rate of 5.0% for the taxable income between RMB1 million and RMB3 million during the year ended December 31, 2022 and nine months ended September 30, 2023. See Note 12 to "Appendix I — Accountants' Report."

As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022

Revenue

	Nine Months Ended September 30,		
	2022	**2023**	**% Change**
	(in RMB thousands, except for percentages) (Unaudited)		
Franchise-related revenue	1,546,864	2,436,183	57.5%
Revenue from self-operated stores	97,114	95,105	(2.1)%
Others	623	3,741	500.5%
Total	**1,644,601**	**2,535,029**	**54.1%**

Our revenue increased by 54.1% from RMB1,644.6 million in the nine months ended September 30, 2022 to RMB2,535.0 million in the nine months ended September 30, 2023, primarily due to the growth in franchise-related revenue, partially offset by a decrease in revenue from our self-operated stores.

Franchise-related Revenue

	Nine Months Ended September 30,		
	2022	**2023**	**% Change**
	(in RMB thousands, except for percentages) (Unaudited)		
Sales of goods to franchisees			
Sales of ingredients and other raw materials	1,198,384	1,892,097	57.9%
Sales of equipment	81,914	128,689	57.1%
Sub-total	**1,280,298**	**2,020,786**	**57.8%**
as % of total revenue	*77.9%*	*79.7%*	
Franchising services	266,566	415,397	55.8%
as % of total revenue	*16.2%*	*16.4%*	
Total	**1,546,864**	**2,436,183**	**57.5%**
as % of total revenue	*94.1%*	*96.1%*	

The table below sets forth the movement of our franchised store count for all brands for the periods indicated.

	Nine Months Ended/ As of September 30,	
	2022	**2023**
Franchised store count at the beginning of the period	3,711	5,244
Number of franchised stores opened during the period	1,423	2,299
Number of franchised stores closed during the period	(277)	(298)
Franchised store count at the end of the period	4,857	7,245

Our franchise-related revenue increased by 57.5% from RMB1,546.9 million in the nine months ended September 30, 2022 to RMB2,436.2 million in the nine months ended September 30, 2023, primarily due to (i) a 57.8% increase in sales of goods to franchisees and (ii) a 55.8% increase in revenue from franchising services. In particular:

- our revenue from sales of goods to franchisees increased by 57.8% from RMB1,280.3 million in the nine months ended September 30, 2022 to RMB2,020.8 million in the nine months ended September 30, 2023, primarily due to a 57.9% increase in our sales of ingredients and other raw materials to our franchisees from RMB1,198.4 million in the nine months ended September 30, 2022 to RMB1,892.1 million in the nine months ended September 30, 2023, as our franchised store count increased. Separately, our sales of equipment increased by 57.1% from RMB81.9 million in the nine months ended September 30, 2022 to RMB128.7 million in the nine months ended September 30, 2023 primarily due to the fact that there were 2,299 new franchised stores opened in the nine months ended September 30, 2023, as compared with 1,423 in the nine months ended September 30, 2022.

- our revenue from franchising services increased by 55.8% from RMB266.6 million in the nine months ended September 30, 2022 to RMB415.4 million in the nine months ended September 30, 2023, primarily due to an increase in our franchised store count.

Self-operated Stores

	Nine Months Ended September 30,		
	2022	**2023**	**% Change**
	(in RMB thousands, except for percentages) (Unaudited)		
Revenue from self-operated stores ...	97,114	95,105	(2.1)%
as % of total revenue	*5.9%*	*3.8%*	

The table below sets forth the movement of our self-operated store count for all brands for the periods indicated.

	Nine Months Ended/ As of September 30,	
	2022	**2023**
Self-operated store count at the beginning of the period	65	63
Number of self-operated stores opened during the period	20	3
Number of self-operated stores closed/transferred during the period	(16)	(14)
Self-operated store count at the end of the period	**69**	**52**

Our revenue from self-operated stores decreased by 2.1% from RMB97.1 million in the nine months ended September 30, 2022 to RMB95.1 million in the nine months ended September 30, 2023, primarily due to a decrease in our self-operated store count, as we closed or transferred some of our self-operated stores to franchised stores after our presence in the new or underpenetrated markets was established. As a result, our revenue from self-operated stores as a percentage of our total revenue decreased from 5.9% in the nine months ended September 30, 2022 to 3.8% in the nine months ended September 30, 2023.

Cost of Sales

	Nine Months Ended September 30,		
	2022	**2023**	**% Change**
	(in RMB thousands, except for percentages) (Unaudited)		
Franchise-related costs			
Cost of goods			
Cost of ingredients and other raw materials	988,124	1,461,290	47.9%
Cost of equipment	74,830	116,230	55.3%
Cost of franchising services	62,615	96,441	54.0%
Sub-total	**1,125,569**	**1,673,961**	**48.7%**
Costs from self-operated stores	85,473	70,530	(17.5)%
Other costs	214	766	257.9%
Total	**1,211,256**	**1,745,257**	**44.1%**
as % of total revenue	*73.3%*	*68.8%*	

Our cost of sales increased by 44.1% from RMB1,211.3 million in the nine months ended September 30, 2022 to RMB1,745.3 million in the nine months ended September 30, 2023, primarily due to a 48.7% increase in franchised-related costs which mainly included a 47.9% increase in cost of ingredients and other raw materials as a result of higher procurement volume, which in turn was due to an increase in our franchised store count. Such increases were partially offset by a 17.5% decrease in costs from self-operated stores, primarily due to a decrease in our self-operated store count as we closed or transferred some of our self-operated stores to franchised stores after our presence in those new or underpenetrated markets was established.

Gross Profit and Gross Profit Margin

	Nine Months Ended September 30,			
	2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(in RMB thousands, except for percentages) (Unaudited)			
From franchising	421,295	27.2%	762,222	31.3%
From self-operated stores	11,641	12.0%	24,575	25.8%
Others	409	65.7%	2,975	79.5%
Total/Overall	**433,345**	**26.3%**	**789,772**	**31.2%**

Our gross profit increased by 82.3% from RMB433.3 million in the nine months ended September 30, 2022 to RMB789.8 million in the nine months ended September 30, 2023, primarily due to an increase in gross profit from franchising. Our gross profit margin increased from 26.3% in the nine months ended September 30, 2022 to 31.2% in the nine months ended September 30, 2023, primarily due to an increase in our gross profit margin from franchising.

Franchising

	Nine Months Ended September 30,			
	2022		2023	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(in RMB thousands, except for percentages) (Unaudited)			
Sales of goods				
Sales of ingredients and other raw materials	210,260	17.5%	430,807	22.8%
Sales of equipment	7,084	8.6%	12,459	9.7%
Sub-total	**217,344**	**17.0%**	**443,266**	**21.9%**
Franchising services	203,951	76.5%	318,956	76.8%
Total/Overall	**421,295**	**27.2%**	**762,222**	**31.3%**

Our gross profit from franchising increased by 80.9% from RMB421.3 million in the nine months ended September 30, 2022 to RMB762.2 million in the nine months ended September 30, 2023, with gross profit margin increased from 27.2% in the nine months ended September 30, 2022 to 31.3% in the nine months ended September 30, 2023, primarily due to an increase in gross profit and gross profit margin for both sales of goods and provision of franchising services to franchisees. In particular:

- our gross profit from sales of goods to franchisees increased by 103.9% from RMB217.3 million in the nine months ended September 30, 2022 to RMB443.3 million in the nine months ended September 30, 2023, primarily due to the increased procurement of ingredients and other raw materials from our franchisees mainly attributable to the increase in our franchised store count. Our gross profit margin from sales of ingredients and other raw materials to franchisees increased from 17.5% in the nine months ended September 30, 2022 to 22.8% in the nine months ended September 30, 2023, primarily due to (i) the favorable pricing we obtained from our suppliers as a result of our increased bargaining power attributable to the increase in our procurement volume, (ii) the improvement in supply chain management, and (iii) improved economies of scale as a result of the increased outputs from our production facilities. The gross profit margin from sales of equipment remained relatively stable at 8.6% and 9.7% in the nine months ended September 30, 2022 and 2023, respectively.

- our gross profit from providing franchising services to franchisees increased by 56.4% from RMB204.0 million in the nine months ended September 30, 2022 to RMB319.0 million in the nine months ended September 30, 2023, primarily due to an increase in our franchised store count. Our gross profit margin from providing franchising services to franchisee remained relatively stable at 76.5% and 76.8% in the nine months ended September 30, 2022 and 2023, respectively.

Self-operated Stores

	Nine Months Ended September 30,			
	2022		2023	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	(in RMB thousands, except for percentages) (Unaudited)			
Self-operated stores	11,641	12.0%	24,575	25.8%

Our gross profit from self-operated stores increased by 111.1% from RMB11.6 million in the nine months ended September 30, 2022 to RMB24.6 million in the nine months ended September 30, 2023, primarily due to the increase in gross profit margin from our self-operated stores. Our gross profit margin from self-operated stores increased from 12.0% in the nine months ended September 30, 2022 to 25.8% in the nine months ended September 30, 2023, primarily because (i) we streamlined the store operating procedure and used equipment that better suited our store operations such as smart tea making machines, which optimized staffing and (ii) we closed certain self-operated stores with relatively low profitability.

Other Income and Gains, Net

Our other income and gains, net increased by 115.9% from RMB19.5 million in the nine months ended September 30, 2022 to RMB42.0 million in the nine months ended September 30, 2023, primarily due to an increase in government grants of RMB24.2 million associated with our business growth.

Selling and Marketing Expenses

Selling and marketing expenses increased by 21.1% from RMB211.9 million in the nine months ended September 30, 2022 to RMB256.5 million in the nine months ended September 30, 2023, primarily due to (i) an increase in marketing and promotion fees of RMB17.1 million for our increased investment in promotion and marketing activities in various online and offline channels, (ii) an increase in employee compensations of RMB10.1 million as a result of an increase in number and average salaries of our selling and marketing personnel and (iii) an increase in others of RMB6.9 million mainly attributable to the expenses in relation to the first offline franchisee meeting after COVID-19 which was held in April 2023 and the increased traveling expenses as the restrictive measures for COVID-19 were lifted since early 2023. As a percentage to our total revenue, the selling and marketing expenses decreased from 12.9% in the nine months ended September 30, 2022 to 10.1% in the nine months ended September 30, 2023, primarily due to (i) the improvement of digitalization of our operating systems and (ii) the economies of scale we achieved as our business grew.

Administrative Expenses

Administrative expenses increased by 56.1% from RMB75.8 million in the nine months ended September 30, 2022 to RMB118.3 million in the nine months ended September 30, 2023, primarily due to (i) an increase in employee compensations of RMB22.1 million as a result of an increase in number and average salaries of our administrative personnel, (ii) an increase in service fees of RMB6.7 million mainly attributable to the increased consultancy fees, (iii) an increase in depreciation and amortization expenses of RMB4.4 million for addition of properties and equipment for our administrative activities and (iv) the [**REDACTED**] of RMB[**REDACTED**] incurred in the nine months ended September 30, 2023. As a percentage to our total revenue, the administrative expenses remained relatively stable at 4.6% and 4.7% in the nine months ended September 30, 2022 and 2023, respectively.

Research and Development Expenses

Research and development expenses increased by 116.5% from RMB8.9 million in the nine months ended September 30, 2022 to RMB19.2 million in the nine months ended September 30, 2023, primarily due to an increase in employee compensations of RMB8.0 million attributable to an increase in the number of research and development personnel and an increase in average salaries to attract more talents. As a result, the research and development expenses as a percentage to our total revenue increased from 0.5% in the nine months ended September 30, 2022 to 0.8% in the nine months ended September 30, 2023.

Finance Costs

Our finance costs remained relatively stable at RMB4.9 million in the nine months ended September 30, 2022 and RMB5.2 million in the nine months ended September 30, 2023.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 188.7% from RMB112.1 million in the nine months ended September 30, 2022 to RMB323.7 million in the nine months ended September 30, 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

	Year Ended December 31,		
	2021	**2022**	**% Change**
	(in RMB thousands, except for percentages)		
Franchise-related revenue	1,557,283	2,072,144	33.1%
Revenue from self-operated stores	83,132	126,076	51.7%
Others	27	785	2,807.4%
Total	**1,640,442**	**2,199,005**	**34.0%**

Our revenue increased by 34.0% from RMB1,640.4 million in 2021 to RMB2,199.0 million in 2022, primarily due to the growth in franchise-related revenue.

Franchise-related Revenue

	Year Ended December 31,		
	2021	2022	% Change
	(in RMB thousands, except for percentages)		
Sales of goods to franchisees			
Sales of ingredients and other raw materials	1,130,328	1,597,758	41.4%
Sales of equipment	111,322	109,664	(1.5)%
Sub-total	**1,241,650**	**1,707,422**	**37.5%**
as % of total revenue	*75.7%*	*77.7%*	
Franchising services	315,633	364,722	15.6%
as % of total revenue	*19.2%*	*16.6%*	
Total	**1,557,283**	**2,072,144**	**33.1%**
as % of total revenue	*94.9%*	*94.2%*	

The table below sets forth the movement of our franchised store count for all brands for the years indicated.

	Year Ended/As of December 31,	
	2021	2022
Franchised store count at the beginning of the year	1,982	3,711
Number of franchised stores opened during the year	1,939	1,926
Number of franchised stores closed during the year	(210)	(393)
Franchised store count at the end of the year	**3,711**	**5,244**

Our franchise-related revenue increased by 33.1% from RMB1,557.3 million in 2021 to RMB2,072.1 million in 2022, primarily due to (i) a 37.5% increase in sales of goods to franchisees, and (ii) a 15.6% increase in our revenue from franchising services. In particular,

- our revenue from sales of goods to franchisees increased by 37.5% from RMB1,241.7 million in 2021 to RMB1,707.4 million in 2022, primarily due to a 41.4% increase of our sales of ingredients and other raw materials to our franchisees from RMB1,130.3 million in 2021 to RMB1,597.8 million in 2022, which was primarily attributable to an increase in our franchised store count. Separately, our sales of equipment to franchisees decreased by 1.5% from RMB111.3 million in 2021 to RMB109.7 million in 2022, primarily due to that we offered more cost-effective equipment with lower average selling prices to our franchisees. As a result, the spending on equipment in connection with opening a new store decreased, which was more budget-friendly for newly joined franchisees.

- our revenue from franchising services increased by 15.6% from RMB315.6 million in 2021 to RMB364.7 million in 2022, primarily due to an increase in our franchised store count. The revenue from franchising services as a percentage of our total revenue decreased from 19.2% in 2021 to 16.6% in 2022, primarily because we lowered the rate for franchising service fees in the second half of 2021 to provide more attracting franchising term to our franchisees.

Self-operated Stores

	Year Ended December 31,		
	2021	**2022**	**% Change**
	(in RMB thousands, except for percentages)		
Revenue from self-operated stores	83,132	126,076	51.7%
as % of total revenue	*5.1%*	*5.7%*	

The table below sets forth the movement of our self-operated store count for all brands for the years indicated.

	Year Ended/As of December 31,	
	2021	2022
Self-operated store count at the beginning of the year	12	65
Number of self-operated stores opened during the year	56	20
Number of self-operated stores closed/transferred during the year	(3)	(22)
Self-operated count at the end of the year	**65**	**63**

Our revenue from self-operated stores increased by 51.7% from RMB83.1 million in 2021 to RMB126.1 million in 2022, primarily due to an increase in our self-operated stores in operation. As a result, our revenue from self-operated stores as a percentage of our total revenue increased from 5.1% in 2021 to 5.7% in 2022.

Cost of Sales

	Year Ended December 31,		
	2021	2022	% Change
	(in RMB thousands, except for percentages)		
Franchise-related costs			
Cost of goods			
Cost of ingredients and other raw materials	1,015,199	1,313,384	29.4%
Cost of equipment	108,944	101,540	(6.8)%
Cost of franchising services	84,918	85,662	0.9%
Sub-total	**1,209,061**	**1,500,586**	**24.1%**
Costs from self-operated stores	73,833	111,854	51.5%
Other costs	15	286	1,806.7%
Total	**1,282,909**	**1,612,726**	**25.7%**
as % of total revenue	*78.2%*	*73.3%*	

Our cost of sales increased by 25.7% from RMB1,282.9 million in 2021 to RMB1,612.7 million in 2022, primarily due to (i) a 24.1% increase in franchise-related costs which mainly included a 29.4% increase in our cost of ingredients and other raw materials as a result of higher procurement volume, which in turn was due to an increase in our franchised store count, and (ii) a 51.5% increase in our costs from self-operated stores as a result of an increase in our self-operated stores in operation.

Gross Profit and Gross Profit Margin

	Year Ended December 31,			
	2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(in RMB thousands, except for percentages)			
From franchising	348,222	22.4%	571,558	27.6%
From self-operated stores	9,299	11.2%	14,222	11.3%
Others	12	44.4%	499	63.6%
Total/Overall	**357,533**	**21.8%**	**586,279**	**26.7%**

Our gross profit increased by 64.0% from RMB357.5 million in 2021 to RMB586.3 million in 2022, primarily due to an increase in gross profit from franchising. Our gross profit margin increased from 21.8% in 2021 to 26.7% in 2022, primarily due to the increase in gross profit margin from franchising.

Franchising

	Year Ended December 31,			
	2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(in RMB thousands, except for percentages)			
Sales of goods				
Sales of ingredients and other raw materials	115,129	10.2%	284,374	17.8%
Sales of equipment	2,378	2.1%	8,124	7.4%
Sub-total	**117,507**	**9.5%**	**292,498**	**17.1%**
Franchising services	230,715	73.1%	279,060	76.5%
Total/Overall	**348,222**	**22.4%**	**571,558**	**27.6%**

Our gross profit from franchising increased by 64.1% from RMB348.2 million in 2021 to RMB571.6 million in 2022, with the gross profit margin increased from 22.4% in 2021 to 27.6% in 2022, due to an increase in gross profit and gross profit margin for both sales of goods and provision of franchising services to franchisees. In particular:

- our gross profit from sales of goods to franchisees increased by 148.9% from RMB117.5 million in 2021 to RMB292.5 million in 2022, primarily due to the increased procurement of ingredients and other raw materials from our franchisees. Our gross profit margin from sales of ingredients and other raw materials increased from 10.2% in 2021 to 17.8% in 2022, primarily due to (i) the favorable pricing we obtained from our suppliers as a result of our increased bargaining power attributable to the increase in our procurement, (ii) our engagement of contract manufacturers for a larger proportion of the production of ingredients, and (iii) the improvement in supply chain management. Separately, the gross profit margin from sales of equipment increased from 2.1% in 2021 to 7.4% in 2022, primarily due to the decrease in procurement prices of our equipment sold to franchisees as a result of the favorable pricing we obtained from our suppliers as a result of our increased bargaining power attributable to the increase in our procurement.

- our gross profit from the provision of franchising services to franchisees increased by 21.0% from RMB230.7 million in 2021 to RMB279.1 million in 2022, primarily due to an increase in our franchised store count. Our gross profit margin from the provision of franchising services increased from 73.1% in 2021 to 76.5% in 2022, primarily due to the increased operation efficiency mainly through the digitalization of our franchising management and supervision systems.

Self-operated Stores

	Year Ended December 31,			
	2021		2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(in RMB thousands, except for percentages)			
Self-operated stores	9,299	11.2%	14,222	11.3%

Our gross profit from self-operated stores increased by 52.9% from RMB9.3 million in 2021 to RMB14.2 million in 2022, primarily due to an increase in our self-operated stores in operation. Our gross profit margin from self-operated stores remained relatively stable at 11.2% in 2021 and 11.3% in 2022.

Other Income and Gains, Net

Our other income and gains, net increased by 119.6% from RMB12.3 million in 2021 to RMB27.0 million in 2022, primarily due to an increase in government grants of RMB13.4 million associated with our business growth.

Selling and Marketing Expenses

Selling and marketing expenses increased by 56.5% from RMB178.0 million in 2021 to RMB278.5 million in 2022, primarily due to (i) an increase in employee compensations of RMB40.5 million as a result of an increase in number and average salaries of our selling and marketing personnel, (ii) an increase in marketing and promotion fees of RMB34.0 million as our increased investment to further promote our brand and enhance our presence in the underpenetrated markets and (iii) an increase in depreciation and amortization expenses of RMB19.5 million for the addition of properties and equipment for our selling and marketing activities. Our selling and marketing expenses as a percentage of our total revenue increased from 10.8% in 2021 to 12.7% in 2022, primarily due to our increased investment in our selling and marketing expenses to further promote our brands and enhance our presence in the underpenetrated market.

Administrative Expenses

Administrative expenses increased by 60.0% from RMB70.8 million in 2021 to RMB113.2 million in 2022, primarily due to (i) an increase in employee compensations of RMB33.0 million as a result of an increase in number and average salaries of our administrative personnel and (ii) an increase in depreciation and amortization of RMB12.6 million for the addition of properties and equipment for our administrative activities in line with our business growth, which was partially offset by a decrease in service fees of RMB6.8 million primarily due to the decrease in fees for IT consultancy services. Our administrative expenses as a percentage of our total revenue increased from 4.3% in 2021 to 5.1% in 2022, primarily due to we scaled up our administrative personnel in consideration of our rapid business growth.

Research and Development Expenses

Research and development expenses increased by 126.0% from RMB5.9 million in 2021 to RMB13.3 million in 2022, primarily due to an increase in employee compensations of RMB5.9 million as a result of an increase in the number of research and development personnel and an increase in average salaries to attract more talents. As such, our research and development expenses increased from 0.4% in 2021 to 0.6% in 2022.

Finance Costs

Our finance costs increased by 145.2% from RMB2.6 million in 2021 to RMB6.4 million in 2022, primarily due to an increase in our lease liabilities as we leased more premises for warehouses and office area leased as our business continued to grow.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 79.2% from RMB83.4 million in 2021 to RMB149.5 million in 2022.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements primarily through cash generated from our operating activities and capital contribution by Shareholders. As of December 31, 2021 and 2022, September 30, 2023 and January 31, 2024, we had cash and cash equivalents of RMB53.2 million, RMB193.0 million, RMB289.0 million and RMB455.3 million, respectively. As of January 31, 2024, we had financial assets at fair value through profit or loss of RMB672.5 million, consisting of wealth management products and structured deposits, which will be due within one year.

Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of cash generated from our operating activities and net [**REDACTED**] from the [**REDACTED**].

Taking into account the net **[REDACTED]** from the **[REDACTED]**, cash generated from our operating activities and bank facilities available to us, our Directors believe that we have sufficient working capital to meet our present and future cash requirements for at least the next 12 months from the date of publication of this document.

Net Current Assets

	As of December 31,		As of September 30,	As of January 31,
	2021	**2022**	**2023**	**2024**
	(in RMB thousands)			
				(Unaudited)
Current Assets				
Inventories	96,090	155,535	153,048	226,509
Prepayments, other receivables and other assets	55,388	57,791	61,320	70,518
Financial assets at fair value through profit or loss	226,230	260,901	683,128	672,456
Cash and cash equivalents	53,184	193,014	289,010	455,322
Total current assets	**430,892**	**667,241**	**1,186,506**	**1,424,805**
Current Liabilities				
Trade payables	119,066	186,508	191,753	329,674
Other payables and accruals	102,558	126,070	141,401	193,097
Contract liabilities	54,891	74,774	70,598	84,239
Interest-bearing bank borrowings	–	1,000	8,500	–
Lease liabilities	31,889	52,943	57,355	55,996
Tax payable	5,043	17,188	47,926	23,712
Total current liabilities	**313,447**	**458,483**	**517,533**	**686,718**
Net current assets	**117,445**	**208,758**	**668,973**	**738,087**

Comparison between January 31, 2024 and September 30, 2023

Our net current assets increased from RMB669.0 million as of September 30, 2023 to RMB738.1 million as of January 31, 2024, primarily due to an increase in current assets, mainly including (i) an increase in inventories of RMB73.5 million mainly attributable to our stock-up of raw materials and ingredients in advance for Chinese New Year in February 2024 and (ii) an increase in cash and cash equivalents of RMB166.3 million mainly attributable to our increased cash from operating activities as a result of our business growth. Such increase was partially offset by an increase in current liabilities, mainly including an increase in trade payables of RMB137.9 million mainly attributable to our stock-up of raw materials and ingredients in advance for Chinese New Year in February 2024.

Comparison between September 30, 2023 and December 31, 2022

Our net current assets increased from RMB208.8 million as of December 31, 2022 to RMB669.0 million as of September 30, 2023, primarily due to an increase in current assets, mainly including (i) an increase in financial assets at fair value through profit or loss of RMB422.2 million primarily attributable to our increased purchase of wealth management products and structured deposits and (ii) an increase in cash and cash equivalents of RMB96.0 million primarily attributable to our increased cash from operating activities as a result of our business growth and a capital injection from our Shareholders. See "— Cash Flow." Such increase was partially offset by an increase in current liabilities, mainly including (i) an increase in other payables and accruals of RMB15.3 million and (ii) an increase in tax payable of RMB30.7 million.

Comparison between December 31, 2022 and December 31, 2021

Our net current assets increased from RMB117.4 million as of December 31, 2021 to RMB208.8 million as of December 31, 2022, primarily due to an increase in current assets, mainly including (i) an increase in inventories of RMB59.4 million primarily attributable to our business growth, (ii) an increase in financial assets at fair value through profit or loss of RMB34.7 million primarily attributable to our increased purchase of wealth management products and structured deposits and (iii) an increase in cash and cash equivalents of RMB139.8 million primarily attributable to our increased cash from operating activities as a result of our business growth. Such increase was partially offset by an increase in current liabilities, mainly including (i) an increase in trade payables of RMB67.4 million primarily attributable to our business growth, (ii) an increase in other payables and accruals of RMB23.5 million primarily attributable to the increase in payroll and welfare for an increase in number of our personnel as a result of our business growth, (iii) an increase in contract liabilities of RMB19.9 million primarily attributable to the increased prepayment from our franchisees for the procurement of ingredients and other raw materials as a result of an increase in our franchised store count and (iv) an increase in lease liabilities of RMB21.1 million primarily attributable to an increase in the number of warehouses leased as a result of our business growth.

SELECTED BALANCE SHEET ITEMS

Inventories

Our inventories include (i) raw materials that require further processing, and (ii) finished goods consisting of inventories that are readily available to be sold.

	As of December 31,		As of September 30,
	2021	2022	2023
	(in RMB thousands)		
			(Unaudited)
Raw materials	5,121	12,042	19,238
Finished goods	90,969	143,493	133,810
Total	**96,090**	**155,535**	**153,048**

During the Track Record Period, the finished goods were the largest component of our inventories. As of December 31, 2021, 2022 and September 30, 2023, we had finished goods of RMB91.0 million, RMB143.5 million and RMB133.8 million, accounting for 94.7%, 92.3% and 87.4% of our total inventories, respectively. Our inventories increased from RMB96.1 million as of December 31, 2021 to RMB155.5 million as of December 31, 2022 as a result of (i) our business growth and the expanded store network which required an increased inventory level to address our consumers' and franchisees' demands and (ii) our stock-up of inventories for early 2023 in advance by the end of 2022. Our inventories decreased from RMB155.5 million as of December 31, 2022 to RMB153.0 million as of September 30, 2023, as we typically commence our stock-up activities towards the end of the year.

Turnover Days

	Year Ended December 31,		Nine Months Ended September 30,
	2021	2022	2023
Inventory turnover days(1)	20	28	24

Note:

(1) Inventory turnover days for each year/period equals the average of the beginning and ending balances of inventories for that year/period divided by cost of sales for that year/period and multiplied by 365 days and by 270 days in the nine months ended September 30.

We implement stringent controls and periodically review on inventory efficiency and have in place a set of policies and procedures to manage our inventories. See "Business — Our Inventory Control Measures." We believe maintaining appropriate levels of inventories could help us adequately address our consumers' and franchisees' demands. Our inventory turnover days were 28 days in 2022 because we stocked up the inventories in advance by the end of 2022 in anticipation of the Chinese New Year in January 2023.

Subsequent Utilization

As of January 31, 2024, 91.9% of our total inventories as of September 30, 2023, or RMB140.6 million, were utilized or sold.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily include (i) VAT recoverable, which was mainly attributable to the input tax to be deducted due to business expansion and purchase increase, (ii) prepayments to certain suppliers mainly for goods and services, (iii) receivable from online platforms, which represented receivables of our self-operated stores on various online platforms, (iv) prepayments of income tax, (v) deposits, which mainly represented rental deposits with remaining terms of lease within one year and (vi) **[REDACTED]**.

	As of December 31,		As of September 30,
	2021	2022	2023
	(in RMB thousands)		
			(Unaudited)
VAT recoverable	8,052	32,197	25,905
Prepayments	32,819	13,023	21,272
Receivable from online platforms	5,578	8,043	6,901
Prepayments of income tax	6,397	2,107	–
Deposits	2,032	1,983	3,824
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other receivables	510	438	1,104
Total	**55,388**	**57,791**	**[REDACTED]**

Our prepayments, other receivables and other assets remained relatively stable at RMB55.4 million as of December 31, 2021 and of RMB57.8 million as of December 31, 2022. Our prepayments, other receivables and other assets increased from RMB57.8 million as of December 31, 2022 to RMB61.3 million as of September 30, 2023, primarily due to the increase of prepayments of RMB8.2 million mainly for marketing activities and fruit procurement as a result of our business growth.

Financial Assets at Fair Value through Profit or Loss

	As of December 31,		As of September 30,
	2021	2022	2023
	(in RMB thousands)		
			(Unaudited)
Wealth management products	226,230	130,454	251,556
Structured deposits	–	130,447	431,572

Our wealth management products and structured deposits were purchased from creditworthy commercial banks in the PRC. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. Our financial assets at fair value through profit or loss increased from RMB226.2 million as of December 31, 2021 to RMB260.9 million as of December 31, 2022, and further to RMB683.1 million as of September 30, 2023, primarily due to our increased purchase of wealth management products and structured deposits as we generated more cash from our operating activities in line with our business growth.

We form our portfolio of financial assets with the view of achieving (i) a relatively low level of risk, (ii) good liquidity and (iii) an enhanced yield. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to our overall financial condition, market and investment conditions, economic developments, investment cost, duration of investment and the expected returns and potential risks of such investment.

We have also established a set of internal control measures to safeguard our exposure to investment risks in connection with the purchase of wealth management products and structured deposits. Such measures include: (i) our investment in financial assets shall be authorized and approved by our financial department, (ii) our finance department is responsible for ensuring that the financial assets are properly recorded in our financial statements and monitoring the performance of our financial assets, and any significant or adverse fluctuation in the financial assets shall be reported to our management in a timely manner. Any proposed investment in financial assets which are not made in accordance with our treasury policy shall be subject to the approval of our Board.

After [**REDACTED**], we intend to continue our investments in the financial assets strictly in accordance with our internal policies and measures and the requirements under Chapter 14 of the Listing Rules.

Property, Plant and Equipment

Our property, plant and equipment include (i) leasehold improvements for the premises we leased to be used as our factory, offices and self-operated stores, (ii) plant and machinery, (iii) furniture, fixtures and equipment, (iv) motor vehicles and (v) construction in progress mainly including decoration of offices and self-operated stores and the construction of production facilities.

	As of December 31,		As of September 30,
	2021	**2022**	**2023**
	(in RMB thousands)		
			(Unaudited)
Leasehold improvements	20,493	28,078	26,864
Plant and machinery	522	7,710	11,468
Furniture, fixtures and equipment	11,980	15,580	16,592
Motor vehicles	277	4,154	3,467
Construction in progress	2,715	13,987	9,919
Total	**35,987**	**69,509**	**68,310**

Our property, plant and equipment increased from RMB36.0 million as of December 31, 2021 to RMB69.5 million as of December 31, 2022, primarily due to (i) the leasehold improvements in connection with our leased self-operated stores and leased offices and (ii) the newly established production facilities in 2022. Our property, plant and equipment remained relatively stable as RMB69.5 million as of December 31, 2022 and RMB68.3 million as of September 30, 2023.

Right-of-use Assets

Our right-of-use assets include our offices, warehouses, self-operated stores and a factory. We have lease contracts for those properties with lease terms from two to six years.

	As of December 31,		As of September 30,
	2021	2022	2023
	(in RMB thousands)		(Unaudited)
Offices	13,122	29,552	27,048
Warehouses	9,299	50,614	62,155
Self-operated stores	65,317	45,704	28,111
Factory	6,608	9,456	7,666
Total	**94,346**	**135,329**	**124,980**

We recognize right-of-use assets when we sign lease contracts for premises (except for short-term leases and leases of low-value assets), which depreciate during the tenure of the lease. As such, the balance of our right-of-use assets increased from RMB94.3 million as of December 31, 2021 to RMB135.3 million as of December 31, 2022. In 2023, we did not lease any new premises for production facilities and our self-operated store count decreased by 11, while the right-of-use assets continued to depreciate, which together resulted in a decrease in the balance of our right-of-use assets to RMB125.0 million.

Trade Payables

Our trade payables primarily comprise payables to our suppliers, mainly for ingredients, raw materials and equipment. Our trade payables are non-interest-bearing and are typically settled around 30 days.

	As of December 31,		As of September 30,
	2021	2022	2023
	(in RMB thousands)		(Unaudited)
Within one month	108,755	171,156	184,701
One to two months	5,915	13,916	4,284
Three to six months	3,884	882	1,810
Over six months	512	554	958
Total	**119,066**	**186,508**	**191,753**

As of December 31, 2021, 2022 and September 30, 2023, our trade payables were RMB119.1 million, RMB186.5 million and RMB191.8 million, respectively. The continuous increase in our trade payables during the Track Record Period was primarily due to the increased procurement from our suppliers to satisfy the increasing demand from our franchisees as a result of our continuously expanded store network.

Turnover Days

	Year Ended December 31,		Nine Months Ended September 30,
	2021	2022	2023
Trade payables turnover days(1)	28	35	29

Note:

(1) Trade payables turnover days for each year/period equals the average of the beginning and ending balances of trade payables for that year/period divided by cost of sales for that year/period and multiplied by 365 days for the year ended December 31 and by 270 days in the nine months ended September 30.

Our trade payable turnover days during the Track Record Period were largely in line with the typical settlement period of approximately 30 days. Our trade payables turnover days were 35 days in 2022, primarily due to (i) our stock-up of raw materials and ingredients by the end of 2022, and (ii) the delay in payments as affected by the COVID-19 pandemic.

Subsequent Settlement

As of January 31, 2024, 99.8% of our trade payables as of September 30, 2023, or RMB191.3 million, were settled.

Other Payables and Accruals

Our other payables and accruals primarily comprise (i) payroll and welfare payables, (ii) deposits from our franchisees, (iii) accrued expenses mainly for rent, utility expenses and marketing expenses, and (iv) other tax payables.

	As of December 31,		As of September 30,
	2021	**2022**	**2023**
		(in RMB thousands)	
			(Unaudited)
Payroll and welfare payables ..	33,776	52,260	54,819
Deposits	31,977	37,313	47,363
Accrued expenses and others ..	31,992	26,200	27,075
Other tax payables	4,813	10,297	12,144
Total	**102,558**	**126,070**	**141,401**

Our other payables and accruals increased from RMB102.6 million as of December 31, 2021 to RMB126.1 million as of December 31, 2022, primarily due to (i) an increase of RMB18.5 million in payroll and welfare payables as a result of an increase in number of employees for our business growth, and (ii) an increase in deposits from franchisees of RMB5.3 million as a result of an increase in our franchised store count, which was partially offset by a decrease in accrued expenses and others of RMB5.8 million as a result of the provision for settlement of a commercial dispute with a franchisee. Our other payables and accruals increased from RMB126.1 million as of December 31, 2022 to RMB141.4 million as of September 30, 2023, primarily due to an increase in deposits from franchisees of RMB10.1 million as a result of an increase in our franchised store count.

Contract Liabilities

Current portion of our contract liabilities mainly arise from the advance payments received from franchisees for (i) the sales of goods and (ii) the franchising services.

	As of December 31,		As of September 30,
	2021	2022	2023
	(in RMB thousands)		
			(Unaudited)
Current			
Sales of goods	16,808	33,488	31,016
Franchising services	38,083	41,286	39,582
Sub-total	**54,891**	**74,774**	**70,598**
Non-current			
Franchising services	28,702	19,459	12,358
Total	**83,593**	**94,233**	**82,956**

Our contract liabilities increased from RMB83.6 million as of December 31, 2021 to RMB94.2 million as of December 31, 2022, primarily due to the increase in the number of our franchised store count and short-term advances received from the franchisees for the purchase of products at the end of the year. Our contract liabilities decreased from RMB94.2 million as of December 31, 2022 to RMB83.0 million as of September 30, 2023, primarily as we reduced the average upfront franchise fee to support our franchisees.

Subsequent Recognition

As of January 31, 2024, 73.2% of our current portion of contract liabilities as of September 30, 2023, or RMB51.7 million, were recognized as revenue.

CASH FLOWS

	Year Ended December 31,		Nine Months Ended September 30,
	2021	2022	2023
	(in RMB thousands)		
			(Unaudited)
Operating profit before working capital changes	141,795	289,364	502,270
Changes in working capital	66,574	30,866	6,838
Income tax paid	(36,345)	(52,457)	(73,500)
Net cash flows generated from operating activities	172,024	267,773	435,608
Net cash flows used in investing activities	(149,706)	(79,191)	(429,268)
Net cash generated from/(used in) financing activities	16,560	(48,752)	89,656
Net increase in cash and cash equivalents	38,878	139,830	95,996
Cash and cash equivalents at beginning of year/period	14,306	53,184	193,014
Cash and cash equivalents at end of year/period	**53,184**	**193,014**	**289,010**

Operating Activities

In the nine months ended September 30, 2023, we had net cash generated from operating activities of RMB435.6 million, primarily due to our profit before tax of RMB432.6 million, as adjusted for items including (i) income tax paid of RMB73.5 million, (ii) non-cash and non-operating items, primarily comprising (a) finance income of RMB4.1 million, (b) finance costs of RMB5.2 million, (c) fair value changes of financial assets and financial investment at fair value through profit or loss of RMB8.1 million, (d) depreciation of property, plant and equipment of RMB21.0 million and (e) depreciation of right-of-use assets of RMB46.4 million, and (iii) changes in working capital, primarily comprising (a) an increase in trade payables of RMB5.2 million and (b) an increase in other payables and accruals of RMB13.6 million, which was partially offset by a decrease in contract liabilities of RMB11.3 million.

In 2022, we had net cash generated from operating activities of RMB267.8 million, primarily due to our profit before tax of RMB201.9 million, as adjusted for items including (i) income tax paid of RMB52.5 million, (ii) non-cash and non-operating items, primarily comprising (a) finance costs of RMB6.4 million, (b) fair value gain of financial assets and financial investments at fair value through profit or loss of RMB3.5 million, (c) depreciation of property, plant and equipment of RMB21.4 million, (d) depreciation of right-of-use assets of RMB56.4 million, and (iii) changes in working capital, primarily comprising (a) an increase in trade payables of RMB67.4 million, (b) an increase in other payables and accruals of RMB20.1 million and (c) an increase in contract liabilities of RMB10.6 million, which was partially offset by an increase in inventories of RMB59.4 million.

In 2021, we had net cash generated from operating activities of RMB172.0 million, primarily due to our profit before tax of RMB112.6 million in 2021, as adjusted for the items including (i) income tax paid of RMB36.3 million, (ii) non-cash and non-operating items, primarily comprising (a) finance costs of RMB2.6 million, (b) fair value gain of financial assets and investment at fair value through profit or loss of RMB6.8 million, (c) depreciation of property, plant and equipment of RMB6.7 million and (d) depreciation of right-of-use assets of RMB24.8 million, and (iii) changes in working capital, primarily comprising (a) an increase in trade payables of RMB43.4 million, (b) an increase in other payables and accruals of RMB62.7 million and (c) an increase in contract liabilities of RMB41.4 million, which was partially offset by (a) an increase in inventories of RMB53.4 million and (b) an increase in prepayments, other receivables and other assets of RMB19.1 million.

Investing Activities

In the nine months ended September 30, 2023, we had net cash used in investing activities of RMB429.3 million, primarily due to (i) the purchase of wealth management products and structured deposits of RMB1,290.0 million, and (ii) the purchase of property, plant and equipment of RMB22.1 million, which was partially offset by the proceeds of RMB876.2 million from redemption of wealth management products and structured deposits.

In 2022, we had net cash used in investing activities of RMB79.2 million, primarily due to (i) the purchase of wealth management products and structured deposits of RMB913.0 million, and (ii) the purchase of items of property, plant and equipment of RMB44.1 million, which was partially offset by the proceeds of RMB883.5 million from redemption of wealth management products and structured deposits.

In 2021, we had net cash used in investing activities of RMB149.7 million, primarily due to (i) the purchase of wealth management products and structured deposits of RMB1,565.0 million, and (ii) the purchase of items of property, plant and equipment of RMB48.0 million, which was partially offset by the proceeds of RMB1,468.9 million from the redemption of wealth management products and structured deposits.

Financing Activities

In the nine months ended September 30, 2023, we had net cash generated from financing activities of RMB89.7 million, primarily due to the capital injection of RMB132.0 million from our Shareholders, which was partially offset by (i) our lease payment of RMB42.7 million and (ii) the repayment of our interest-bearing bank borrowings of RMB10.0 million.

In 2022, we had net cash used in financing activities of RMB48.8 million, primarily due to our lease payment of RMB49.7 million for principal and interests.

In 2021, we had net cash generated from financing activities of RMB16.6 million, primarily due to the capital injection of RMB53.0 million from one of our Shareholders in 2021, which was partially offset by our lease payment of RMB36.4 million for principal and interests.

INDEBTEDNESS

The following table sets forth our indebtedness as of the dates indicated.

	As of December 31,		As of September 30,	As of January 31,
	2021	2022	2023	2024
	(in RMB thousands)			
				(Unaudited)
Interest-bearing bank borrowings	–	1,000	8,500	–
Lease liabilities	81,389	135,621	130,755	124,740
Total	**81,389**	**136,621**	**139,255**	**124,740**

Interest-bearing Bank Borrowings

	As of December 31,		As of September 30,	As of January 31,
	2021	2022	2023	2024
	(in RMB thousands)			
				(Unaudited)
Bank loans — unsecured	–	1,000	8,500	–

As of December 31, 2022 and September 30, 2023, we had interest-bearing bank borrowings of RMB1.0 million and RMB8.5 million, with effective interest rate of 2.05% and 2.80%, respectively. Our interest-bearing bank borrowings were mainly for working capital. As of January 31, 2024, we did not have any interest-bearing bank borrowings.

As of January 31, 2024, we had unutilized banking facilities of RMB100.0 million.

Lease Liabilities

	As of December 31,		As of September 30,	As of January 31,
	2021	2022	2023	2024
	(in RMB thousands)			
			(Unaudited)	
Current				
Lease liabilities	31,889	52,943	57,355	55,996
Non-current				
Lease liabilities	49,500	82,678	73,400	68,744
Total	**81,389**	**136,621**	**130,755**	**124,740**

Our lease liabilities increased from RMB81.4 million as of December 31, 2021 to RMB136.6 million as of December 31, 2022, primarily due to the increase in number of warehouses we leased as a result of our business growth. Our lease liabilities decreased from RMB136.6 million as of December 31, 2022 to RMB130.8 million as of September 30, 2023, and further to RMB124.7 million as of January 31, 2024, primarily due to our repayment of rents.

Our Directors confirmed that there has not been any material increase in our indebtedness since January 31, 2024 to the Latest Practicable Date. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, except for bank loans, we did not have plans for other material external debt financing.

Contingent Liabilities

As of December 31, 2021 and 2022, September 30, 2023, January 31, 2024 and the Latest Practicable Date, we did not have any contingent liabilities.

CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

	Year Ended December 31,		Nine Months Ended September 30,
	2021	2022	2023
	(in RMB thousands)		(Unaudited)
Purchases of property, plant and equipment	47,950	44,078	22,121
Purchases of intangible assets	3,506	3,517	1,895
Total	**51,456**	**47,595**	**24,016**

Our capital expenditure remained relatively stable at RMB51.5 million and RMB47.6 million in 2021 and 2022, respectively. Our capital expenditure further decreased to RMB24.0 million, primarily due to the decrease in purchases of property, plant and equipment of RMB22.0 million as we opened fewer self-operated stores in the nine months ended September 30, 2023.

Capital Commitments

Our capital commitments primarily relate to procurement of smart tea-making machines and softwares. As of December 31, 2021 and 2022 and September 30, 2023, our capital commitments were RMB6.2 million, RMB10.4 million and RMB5.8 million, respectively.

	As of December 31,		As of September 30,
	2021	2022	2023
	(in RMB thousands)		(Unaudited)
Contracted, but not provided for purchase of Property, plant and equipment and other intangible assets	6,206	10,404	5,779

KEY FINANCIAL RATIOS

	Year Ended/As of December 31,		Nine Months Ended/As of September 30,
	2021	2022	2023
Revenue growth	N/A	34.0%	54.1%
Net profit margin(1)	5.1%	6.8%	12.8%
Return on assets(2)	19.4%	19.6%	27.5%
Return on equity(3)	59.0%	52.0%	54.4%
Current ratio(4)	1.4	1.5	2.3

Notes:

(1) Net profit margin is calculated based on the net profit for the relevant year/period divided by the revenue for the respective year/period and multiplied by 100%.

(2) Return on assets is calculated based on the total profit for the relevant year/period divided by the average of beginning and ending balance of total assets of the respective year/period and multiplied by 100%.

(3) Return on equity is calculated based on the total profit for the relevant year/period divided by the average of beginning and ending balance of total equity of the respective year/period and multiplied by 100%.

(4) Current ratio is calculated based on the total current assets as of the end of the relevant year/period divided by the total current liabilities as of the end of the respective year/period.

Return on Assets

Our return on assets remained relatively stable at 19.4% in 2021 and 19.6% in 2022, which increased to 27.5% in the nine months ended September 30, 2023, primarily due to our increased profitability for the period.

Return on Equity

Our return on equity remained relatively stable at 59.0%, 52.0% and 54.4% in 2021, 2022 and the nine months ended September 30, 2023, respectively.

Current Ratio

Our current ratio remained relatively stable at 1.4 and 1.5 as of December 31, 2021 and 2022, respectively. Our current ratio increased to 2.3 as of September 30, 2023, primarily due to our increased current assets, including (i) an increase in fair value assets at fair value through profit or loss of RMB422.2 million primarily attributable to our increased purchase of wealth management products and structured deposits, and (ii) an increase in cash and cash equivalents of RMB96.0 million primarily attributable to our increased cash from operating activities as a result of our business growth and a capital injection from our Shareholders. See "— Selected Balance Sheet Items."

DISCLOSURE ABOUT FINANCIAL RISK

The main risks arising from our financial instruments are credit risk and liquidity risk.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our 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 our exposure to bad debts is not significant. See Note 37 to "Appendix I — Accountants' Report."

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets and projected cash flows from operations.

Our liquidity is primarily dependent on our ability to maintain adequate cash inflows from operations to meet our debt obligations as they fall due, and our ability to obtain external financing to meet our committed future capital expenditure. See Note 37 to "Appendix I — Accountants' Report."

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We also have not entered into any financial guarantees or other commitments to guarantee the payment obligations of manufacturing partners. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. 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 or hedging or research and development services with us.

DIVIDEND

We did not pay or declare any dividend during the Track Record Period. On December 14, 2023, we declared a dividend of RMB60.0 million, which has been fully paid by January 25, 2024.

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, the 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, operation 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 make dividend in the future also depends on whether we can receive dividends from our subsidiaries.

DISTRIBUTABLE RESERVE

As of September 30, 2023, we had distributable reserve of RMB88.5 million.

DISCLOSURE REQUIRED UNDER RULES 13.13 to 13.19 OF THE LISTING RULES

Except as otherwise disclosed in this document, our Directors confirm that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Related party transactions are set out in Note 34 to "Appendix I — Accountants' Report." Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and at arm's length basis.

UNAUDITED [REDACTED] FINANCIAL INFORMATION

The following unaudited **[REDACTED]** adjusted consolidated net tangible assets of us prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the **[REDACTED]** on the consolidated net tangible assets of us attributable to owners of the Company as of September 30, 2023 as if the **[REDACTED]** had taken place on September 30, 2023.

The unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets of us has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of us attributable to owners of the Company had the **[REDACTED]** been completed as of September 30, 2023 or at any future date.

	Consolidated net tangible assets of us attributable to owners of the Company as of September 30, 2023	Estimated net [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets as of September 30, 2023	Unaudited [REDACTED] adjusted consolidated net tangible assets per Share as of September 30, 2023	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share....................	820,161	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share....................	820,161	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share....................	820,161	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The consolidated net tangible assets of us attributable to owners of the Company as of September 30, 2023 was equal to the consolidated net assets attributable to owners of the Company as of September 30, 2023 of RMB824.7 million after deducting of intangible assets of us as of September 30, 2023 of RMB4.5 million set out in the Accountants' Report in Appendix I to this document.

2. The estimated net **[REDACTED]** from the **[REDACTED]** are based on the **[REDACTED]** of HK$**[REDACTED]**, HK$**[REDACTED]** and HK$**[REDACTED]** per Share, respectively, after deduction of the **[REDACTED]** fees and other related expenses payable by the Company (excluding **[REDACTED]** of RMB**[REDACTED]** which have been charged to profit or loss during the Track Record Period) and do not take into account any share which may be sold and offered upon exercise of the **[REDACTED]**.

3. The unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** Shares are in issue assuming the conversion into a joint stock limited company in November 2023 and the **[REDACTED]** had been completed on September 30, 2023, without taking into account of the 2,430,000 shares issued upon the Series C Financing in February 2024 and any shares which may be allotted and issued upon the exercise of the **[REDACTED]**.

4. For the purpose of this unaudited [**REDACTED**] adjusted consolidated net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of HK$1.00 to RMB0.90878. No representation is made that the Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.

5. No other adjustment has been made to reflect any trading result or other transactions of us entered into subsequent to September 30, 2023 except for the adjustments referred to in the preceding paragraphs. In particular, no adjustments were made to reflect (i) the Series C Financing with 2,430,000 shares issued at a net consideration of RMB117.1 million (the gross consideration of RMB121.5 million minus the related expenses of RMB4.4 million) in February 2024 and (ii) the dividend of RMB60.0 million declared by the Company to its shareholders on December 14, 2023. Had such transactions been taken into account, the unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share would be approximately RMB[**REDACTED**], RMB[**REDACTED**] and RMB[**REDACTED**] (equivalent to HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**]), assuming an [**REDACTED**] of HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**] per Share, respectively.

[REDACTED]

[**REDACTED**] represent professional fees, [**REDACTED**] and fees incurred in connection with the [**REDACTED**] and the [**REDACTED**]. Our [**REDACTED**] are estimated to be approximately RMB[**REDACTED**] (including [**REDACTED**]) accounted for [**REDACTED**]% of the gross [**REDACTED**] of the [**REDACTED**], assuming that an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the [**REDACTED**] stated in this document) and the [**REDACTED**] is not exercised, among which, approximately RMB[**REDACTED**] is directly attributable to the issuance of Shares and will be charged to equity upon completion of the [**REDACTED**], and approximately RMB[**REDACTED**] will be charged to our consolidated statement of comprehensive income. The [**REDACTED**] we incurred in the Track Record Period and expect to incur would consist of approximately RMB[**REDACTED**] [**REDACTED**] related expenses and fees (including [**REDACTED**], SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy), approximately RMB[**REDACTED**] non-[**REDACTED**]-related expenses and fees including fees for the Joint Sponsors, legal advisors and reporting accountant and approximately RMB[**REDACTED**] other non-[**REDACTED**] related fees and expenses. During the Track Record Period, we incurred RMB[**REDACTED**] of [**REDACTED**], among which, RMB[**REDACTED**] was included in prepayments, other receivables and other assets and will be subsequently charged to our equity upon completion of the [**REDACTED**] and RMB[**REDACTED**] was charged to our consolidated statement of comprehensive income.

The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

NO MATERIAL ADVERSE CHANGE

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

OUR SHARE CAPITAL

Immediately before completion of the [REDACTED]

Immediately before completion of the **[REDACTED]**, the registered share capital of our Company was RMB102,430,000, comprising 102,430,000 Shares with a nominal value of RMB1.00 each.

Upon completion of the [REDACTED]

Immediately after completion of the **[REDACTED]** and Conversion of Domestic **[REDACTED]** Shares into H Shares (assuming that the **[REDACTED]** is not exercised), the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after completion of the [REDACTED]
Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
H Shares converted from Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100.00%**

The Conversion of Domestic **[REDACTED]** Shares into H Shares will involve an aggregate of **[REDACTED]** Domestic **[REDACTED]** Shares held by our 17 existing Shareholders, representing approximately **[REDACTED]**% of total issued Shares of the Company upon completion of the Conversion of Domestic **[REDACTED]** Shares into H Shares and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). Set out below are such Shares held by our existing Shareholders and their respective shareholding upon completion of the Conversion of Domestic **[REDACTED]** Shares into H Shares and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised).

		Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised) and the Conversion of Domestic [REDACTED] Shares into H Shares			
Shareholders	**Number of Domestic [REDACTED] Shares to be converted into H Shares**	**H Shares**	**Approximate Percentage**	**Domestic [REDACTED] Shares**	**Approximate Percentage**
			(%)		*(%)*
Shanghai Puhai	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Senrui	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Yuchao	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Suzhou Yizhong	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jinyi Capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Yuhong	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Yuyun	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Suzhou Xiangzhong	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Hanshuai Investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
InnoVision Capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Desai Innovation	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Jinxiao Investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shibei Hi-tech	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Shanghai Yipu	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Nanjing Xiangzhong	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yinlin Investment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Yiyu Consulting	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Immediately after completion of the **[REDACTED]** and Conversion of Domestic **[REDACTED]** Shares into H Shares (assuming that the **[REDACTED]** is fully exercised), the share capital of the Company will be as follows:

Description of Shares	**Number of Shares**	**Approximate % of the enlarged issued share capital after completion of the [REDACTED]**
Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
H Shares converted from Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**%
H Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**[REDACTED]%**

DOMESTIC [REDACTED] SHARES AND H SHARES

Upon completion of the **[REDACTED]** and the Conversion of Domestic **[REDACTED]** Shares into H Shares, the Shares will consist of Domestic **[REDACTED]** Shares and H Shares. Domestic **[REDACTED]** Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and 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 (such as our certain existing shareholders the Domestic **[REDACTED]** Shares held by whom will be converted into H Shares according to the filing information of CSRC), H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons.

Domestic **[REDACTED]** Shares and H Shares shall rank *pari passu* with each other in all respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic **[REDACTED]** Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF DOMESTIC [REDACTED] SHARES INTO H SHARES

If any of the Domestic **[REDACTED]** Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, **[REDACTED]** and **[REDACTED]** will need the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

File with the CSRC for Full Circulation

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies shall file with the CSRC for the conversion of Domestic Unlisted Shares into H shares for **[REDACTED]** and circulation on the Hong Kong Stock Exchange. An unlisted domestic joint stock company may file for "full circulation" when applying for an overseas **[REDACTED]**.

We [have filed] with the CSRC for the conversion of **[REDACTED]** Domestic **[REDACTED]** Shares into H Shares on a one-for-one basis ("**Conversion of Domestic [REDACTED] Shares into H Shares**") upon the completion of the **[REDACTED]** ("**Full Circulation Filing of the Company**") and CSRC [issued] the filing notice in respect of the **[REDACTED]** dated [●].

[REDACTED] Approval by the Hong Kong Stock Exchange

We have applied to the **[REDACTED]** of the Hong Kong Stock Exchange for the granting of **[REDACTED]** of, and permission to **[REDACTED]**, our H Shares to be issued pursuant to the **[REDACTED]** (including any H Shares which may be issued pursuant to the exercise of the **[REDACTED]**), and the H Shares to be converted from **[REDACTED]** Domestic **[REDACTED]** Shares on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the conversion of Domestic **[REDACTED]** Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (1) giving instructions to our **[REDACTED]** regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by **[REDACTED]** for deposit, clearance and settlement in the **[REDACTED]**.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

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]**".

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, issue or repurchase of shares. See "Appendix III — Summary of the Articles of Association" in this document.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the **[REDACTED]** and the Conversion of Domestic **[REDACTED]** Shares into H Shares and without taking into account any H Shares which may be issued pursuant to the exercise of the **[REDACTED]**, 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, who are, 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:

Shareholder	Nature of Interest	Number and Class of Shares[1]	Approximate Percentage of Shareholding in the Relevant Class of Shares immediately after completion of the [REDACTED]	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after completion of the [REDACTED]
			(%)	(%)
Mr. Shan[2][3][4][5][6]	Interest in controlled corporation, interests held jointly with other person and interest of Spouse	[REDACTED] Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
		[REDACTED] H Shares	[REDACTED]	[REDACTED]
Ms. Zhou[2][3][4][5][6]	Interest in controlled corporation, interests held jointly with other person and interest of Spouse	[REDACTED] Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
		[REDACTED] H Shares	[REDACTED]	[REDACTED]
Shanghai Puhai[2][5]	Beneficial owner	[REDACTED] Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
		[REDACTED] H Shares	[REDACTED]	[REDACTED]
Shanghai Senrui[3][5]	Beneficial owner	[REDACTED] Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
		[REDACTED] H Shares	[REDACTED]	[REDACTED]

Shareholder	Nature of Interest	Number and Class of Shares[1]	Approximate Percentage of Shareholding in the Relevant Class of Shares immediately after completion of the [REDACTED]	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after completion of the [REDACTED]
			(%)	(%)
Shanghai Yuchao[4][5]	Beneficial owner	**[REDACTED]** Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**
		[REDACTED] H Shares	**[REDACTED]**	**[REDACTED]**
Suzhou Yizhong[7]	Beneficial owner	**[REDACTED]** Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**
		[REDACTED] H Shares	**[REDACTED]**	**[REDACTED]**
Suzhou Weitelixin[7]	Interest in controlled corporation	**[REDACTED]** Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**
		[REDACTED] H Shares	**[REDACTED]**	**[REDACTED]**
Mr. Wei Zhe[7]	Interest in controlled corporation	**[REDACTED]** Domestic **[REDACTED]** Shares	**[REDACTED]**	**[REDACTED]**
		[REDACTED] H Shares	**[REDACTED]**	**[REDACTED]**

Notes:

(1) All interests are long positions.

(2) As of the Latest Practicable Date, Ms. Zhou held 80% of the equity interest in Shanghai Puhai. Therefore, Ms. Zhou is deemed to be interested in the Shares held by Shanghai Puhai in the Company under the SFO.

(3) As of the Latest Practicable Date, Mr. Shan was the general partner of Shanghai Senrui. Meanwhile, Mr. Shan and Ms Zhou held approximately 44.67% and 45.49% of the partnership interest in Shanghai Senrui, respectively. Therefore, Mr. Shan and Ms. Zhou are deemed to be interested in the Shares held by Shanghai Senrui in the Company under the SFO.

(4) As of the Latest Practicable Date, Mr. Shan was the general partner of Shanghai Yuchao. Meanwhile, Mr. Shan and Ms Zhou held approximately 37.85% and 41.63% of the partnership interest in Shanghai Yuchao, respectively. Therefore, Mr. Shan and Ms. Zhou are deemed to be interested in the Shares held by Shanghai Yuchao in the Company under the SFO.

(5) On September 25, 2023, Mr. Shan and Ms. Zhou entered into a concert party agreement, pursuant to which Mr. Shan and Ms. Zhou have agreed and confirmed that the Company have been jointly controlled by them since its establishment and they have acted in concert since the establishment of the Company and will continue, and shall procure entities under their control which directly hold Shares in our Company, to act in concert in respect of the management and operations of our Company. Pursuant to the act in concert arrangements, Mr. Shan and Ms. Zhou have consulted and would consult with each other to reach a unanimous consensus among themselves at the general meetings of the Company. In the event that they are unable to reach consensus on any matter presented, they have aligned and will continue to align their votes in accordance with Mr. Shan's decisions at the general meetings of the Company. Therefore, Mr. Shan and Ms. Zhou are deemed to be jointly interested in the Shares held by Shanghai Puhai, Shanghai Senrui and Shanghai Yuchao in the Company under the SFO.

(6) Mr. Shan is the spouse of Ms. Zhou. Therefore, each of Mr. Shan and Ms. Zhou is deemed to be interested in the Shares held by each other under the SFO.

(7) As of the Latest Practicable Date, each of Suzhou Yizhong, Suzhou Xiangzhong and Nanjing Xiangzhong was managed by Suzhou Weitelixin Venture Capital Management Co., Ltd. (蘇州維特力新創業投資管理有限公司) ("**Suzhou Weitelixin**"), which is ultimately controlled by Mr. Wei Zhe, an Independent Third Party.

For those who are directly and/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 any other member of our Group, see "Appendix IV — Statutory and General Information — Further Information About Our Directors, Supervisors, Management And Substantial Shareholders — 2. Disclosure of Interests of Substantial Shareholders — Interest in the Shares of Other Members of Our Company."

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following completion of the [**REDACTED**] and the Conversion of Domestic [**REDACTED**] Shares into H Shares (without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]), have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be 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.

As at the Latest Practicable Date, our Company is not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

OUR CONTROLLING SHAREHOLDERS

Immediately before the completion of the [**REDACTED**], Mr. Shan and Ms. Zhou, by virtue of the concert party agreement among them, were collectively entitled to control the voting rights of approximately 80.64% of our total issued share capital through Shanghai Puhai, Shanghai Senrui(1) and Shanghai Yuchao(2) holding approximately 45.97%, 17.86% and 16.80% of the issued share capital of our Company, respectively.

On September 25, 2023, Mr. Shan and Ms. Zhou entered into a concert party agreement, pursuant to which Mr. Shan and Ms. Zhou have agreed and confirmed that the Company have been jointly controlled by them since its establishment and they have acted in concert since the establishment of the Company and will continue, and shall procure entities under their control which directly hold Shares in our Company, to act in concert in respect of the management and operations of our Company. Pursuant to the act in concert arrangements, Mr. Shan and Ms. Zhou have consulted and would consult with each other to reach a unanimous consensus among themselves at the general meetings of the Company. In the event that they are unable to reach consensus on any matter presented, they have aligned and will continue to align their votes in accordance with Mr. Shan's decisions at the general meetings of the Company. See the section headed "History, Development and Corporate Structure — The Concert Party Group" in this document for details.

Immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Shan and Ms. Zhou will be entitled to exercise or control the exercise of an aggregate of approximately [**REDACTED**]% of the voting power at general meetings of our Company. Therefore, Mr. Shan, Ms. Zhou, Shanghai Puhai, Shanghai Senrui and Shanghai Yuchao will constitute a group of Controlling Shareholders of our Company under the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**], taking into consideration the factors below.

Notes:

(1) As of the Latest Practicable Date, Shanghai Senrui was owned as to i) 44.67% by Mr. Shan as its sole general partner and ii) 45.49% and 9.84% by Ms. Zhou and Mr. Chen Zhixin (陳志新) ("**Mr. Chen**") (an Independent Third Party), as its limited partners. As Mr. Chen is not involved in the management of Shanghai Senrui as a limited partner, has no concert party arrangement with Mr. Shan and Ms. Zhou and is only entitled to the passive economic interest in Shanghai Senrui, Mr. Chen should not be treated as a controlling shareholder of our Company.

(2) As of the Latest Practicable Date, Shanghai Yuchao was owned as to approximately i) 37.85% by Mr. Shan as its sole general partner; ii) 41.63% by Ms. Zhou as its limited partner and iii) 20.52% by 36 individuals who are current employees of our Company as its limited partners. As these individuals are not involved in the management of Shanghai Yuchao, have no concert party arrangement with Mr. Shan and Ms. Zhou and are only entitled to the passive economic interest in Shanghai Yuchao, they should not be treated as controlling shareholders of our Company.

Management Independence

Our Board consists of seven Directors, namely four executive Directors and three independent non-executive Directors. Mr. Shan, one of our Controlling Shareholders, is an executive Director, chairman of the Board and chief executive officer. Ms. Zhou, one of our Controlling Shareholders, is also an executive Director.

Our Directors consider that we are able to carry on our business independently from our Controlling Shareholders from a management perspective for the following reasons:

(a) Mr. Shan and Ms. Zhou currently serve as a director and a supervisor of Shanghai Puhai, respectively. In addition, Mr. Shan currently serves as the general partner of Shanghai Yuchao and Shanghai Senrui. Shanghai Puhai, Shanghai Senrui and Shanghai Yuchao are the shareholding platforms and do not have any business other than its shareholding in the Company. Other than above, our executive Directors and all our senior management members do not hold any management position and/or directorship in the Controlling Shareholders Group or its close associates (other than our Group) as of the Latest Practicable Date;

(b) our daily management and operations are carried out by a senior management team, all of whom have relevant experience in relation to their responsibilities, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the experience of our senior management team, please refer to the section headed "Directors, Supervisors and Senior Management" in this document;

(c) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as our Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and a Director and/or his/her associate, he/she shall abstain from voting and shall not be counted towards the quorum for the voting;

(d) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance" in this section.

Based on the above, our Directors believe that our Board as a whole and together with our senior management are able to perform the managerial role in our Group independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Operational Independence

We do not rely on our Controlling Shareholders and their respective close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from our Controlling Shareholders and their respective close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

We have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have an independent financial system and make financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on our Controlling Shareholders and their respective close associates for financing after the [**REDACTED**] as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the [**REDACTED**] from the [**REDACTED**].

In addition, we are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders and their respective close associates. As of the Latest Practicable Date, there was no outstanding loan or guarantee provided by our Controlling Shareholders and their respective close associates.

Based on the above, our Directors believe that we are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their respective close associates after the [**REDACTED**].

INTERESTS OF THE CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Our Controlling Shareholders confirmed that as of the Latest Practicable Date, they did not have any interest in other business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which any Shareholders or any of their respective associates has a material interest, the interested Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) as part of our preparation for the **[REDACTED]**, we have amended our Articles of Association to comply with the Listing Rules which will become effective upon **[REDACTED]**. In particular, our Articles of Association provides that, a Director shall be abstained from voting on any resolution approving any contract, transaction or arrangement in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the Board meeting;

(c) our Company has established internal control mechanisms to identify connected transactions. Upon **[REDACTED]**, if our Company enters into connected transactions with our Controlling Shareholders and their respective close associates, our Company will comply with the applicable Listing Rules;

(d) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see the section headed "Directors, Supervisors and Senior Management" in this document;

(e) 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

(f) we have appointed Haitong International Capital Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage existing and potential conflicts of interest, and to protect minority Shareholders' interests after the **[REDACTED]**.

OVERVIEW

Upon **[REDACTED]**, certain transactions between us and our connected persons, which are entered into in our ordinary course of business, will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon **[REDACTED]**:

Name of our connected persons	Connected relationship
Mr. Shan Guohua (單國華)	Brother of Mr. Shan, our executive Director and Controlling Shareholder, and hence an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Shan and our connected person
Ms. Lin Hong (林紅)	Cousin of Ms. Zhou, our executive Director and Controlling Shareholder, and hence an associate (as defined under Chapter 14A of the Listing Rules) of Ms. Zhou and our connected person
Mr. Zhou Zishuo (周子碩)	Nephew of Ms. Zhou, our executive Director and Controlling Shareholder, and hence an associate (as defined under Chapter 14A of the Listing Rules) of Ms. Zhou and our connected person
Ms. Zhou Jia (周佳)	Cousin of Ms. Zhou, our executive Director and Controlling Shareholder, and hence an associate (as defined under Chapter 14A of the Listing Rules) of Ms. Zhou and our connected person

OUR CONNECTED TRANSACTIONS

Nature of transaction	Applicable Listing Rules	Waiver sought
Fully-exempt Continuing Connected Transactions		
Franchise Framework Agreements	14A.76(1)	N/A
Non-exempt Continuing Connected Transactions (subject to reporting, annual review and announcement requirements)		
Franchise Framework Agreements	14A.35, 14A.76(2), 14A.105	Announcement

(A) FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Franchise Framework Agreements with Mr. Shan Guohua and Ms. Lin Hong

Our Company (as the franchisor) [have entered] into a franchise framework agreement with each of Mr. Shan Guohua and Ms. Lin Hong (each, as the franchisee) to grant each of them a right and license to operate business of sales of products including drinks, yogurt shakes and snack packs under the brand "*Auntea Jenny* (滬上阿姨)" and *Jenny x Coffee* as a franchisee. These transactions are made in the ordinary and usual course of business and on normal commercial terms where, as our Directors currently expect, the highest applicable percentage ratios for the purpose of Chapter 14A of the Listing Rules will be less than 0.1% on an annual basis. Accordingly, these transactions will constitute de minimis continuing connected transactions of our Company that will be fully exempt from reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Franchise Framework Agreement with Mr. Zhou Zishuo

Our Company (as the franchisor) [have entered] into a franchise framework agreement with Mr. Zhou Zishuo (as the franchisee) (the "**Franchise Framework Agreement**"), pursuant to which we agree to grant a right and license to Mr. Zhou Zishuo to operate business of sales of products including drinks, yogurt shakes and snack packs under the brand "Auntea Jenny (滬上阿姨)" and *Jenny x Coffee* at specified premises as stipulated in such franchise framework agreement in strict accordance with the system developed and rules implemented by our Company. Under the Franchise Framework Agreement, the total transaction amount payable to our Group is mainly consisted of (i) sales of goods to franchisee, primarily including ingredients, packaging and other raw materials and equipment, and (ii) fees for franchise services rendered to franchised stores with respect to operation, training, marketing and other various support, which are primarily linked to the procurement amount by our franchisee. The Franchise Framework Agreement will expire on December 31, 2026 unless renewed otherwise. The Franchise Framework Agreement is entered into in the ordinary and usual course of business of our Group. The transactions are conducted on normal commercial terms and are in the interests of our Company and our Shareholders as a whole.

Pricing basis and pricing policy

The prices of transactions contemplated under the Franchise Framework Agreement shall be determined based on the Group's unified pricing to all franchisees, which should be no less than the selling price offered by our Group to Independent Third Parties of comparable scale in the same region.

Historical figures

The total transaction amounts between the Group and Mr. Zhou Zishuo during the Track Record Period is set out below:

		Year ended December 31		Nine Months ended September 30,
		2021	2022	2023
		(RMB in thousands)		
Mr. Zhou Zishuo	Sales of goods to franchisee	889	1,242	1,036
	Franchising services	206	255	211
	Total	**1,095**	**1,497**	**1,247**

Annual Caps

The maximum total transaction amount payable by Mr. Zhou Zishuo to our Group for the years ending December 31, 2024, 2025 and 2026, respectively, shall not exceed the caps set out below:

		Proposed Annual Cap for the year ending December 31,		
		2024	2025	2026
		(RMB in thousands)		
Mr. Zhou Zishuo	Sales of goods to franchisee	2,110	2,710	3,360
	Franchising services	400	510	630
	Total	**2,510**	**3,220**	**3,990**

Basis of Annual Caps

In determining the above proposed annual caps, our Directors have considered, among other things, the following factors:

i. Historical transaction amounts during the Track Record Period paid by Mr. Zhou Zishuo to our Group;

ii. The expected increase in procurement volume of franchised stores operated by Mr. Zhou Zishuo due to the potential growth of sales of the stores as well as the store expansion plan of Mr. Zhou Zishuo.

Franchise Framework Agreement with Ms. Zhou Jia

Our Company (as the franchisor) [have entered] into a franchise framework agreement with Ms. Zhou Jia (as the franchisee) (the "**Franchise Framework Agreement**"), pursuant to which we agree to grant a right and license to Ms. Zhou Jia to operate business of sales of products including drinks, yogurt shakes and snack packs under the brand "Auntea Jenny (滬上阿姨)" and *Jenny x Coffee* at specified premises as stipulated in such franchise framework agreement in strict accordance with the system developed and rules implemented by our Company. Under the Franchise Framework Agreement, the total transaction amount payable to our Group is mainly consisted of (i) sales of goods to franchisee, primarily including ingredients, packaging and other raw materials and equipment, and (ii) fees for franchise services rendered to franchised stores with respect to operation, training, marketing and other various support, which are primarily linked to the procurement amount by our franchisee. The Franchise Framework Agreement will expire on December 31, 2026 unless renewed otherwise. The Franchise Framework Agreement is entered into in the ordinary and usual course of business of our Group. The transactions are conducted on normal commercial terms and are in the interests of our Company and our Shareholders as a whole.

Pricing basis and pricing policy

The prices of transactions contemplated under the Franchise Framework Agreement shall be determined based on the Group's unified pricing to all franchisees, which should be no less than the selling price offered by our Group to Independent Third Parties of comparable scale in the same region.

Historical figures

The total transaction amounts between the Group and Ms. Zhou Jia during the Track Record Period is set out below:

		Year ended December 31		Nine Months ended September 30,
		2021	**2022**	**2023**
		(RMB in thousands)		
Ms. Zhou Jia....	Sales of goods to franchisee	3,211	3,418	4,333
	Franchising services ...	742	648	815
	Total	**3,953**	**4,066**	**5,148**

Annual Caps

The maximum total transaction amount payable by Ms. Zhou Jia to our Group for the years ending December 31, 2024, 2025 and 2026, respectively, shall not exceed the caps set out below:

		Proposed Annual Cap for the year ending December 31,		
		2024	**2025**	**2026**
		(RMB in thousands)		
Ms. Zhou Jia	Sales of goods to franchisee	6,740	8,080	9,340
	Franchising services	1,270	1,520	1,760
	Total	**8,010**	**9,600**	**11,100**

Basis of Annual Caps

In determining the above proposed annual caps, our Directors have considered, among other things, the following factors:

i. Historical transaction amounts during the Track Record Period paid by Ms. Zhou Jia to our Group;

ii. The expected increase in procurement volume of franchised stores operated by Ms. Zhou Jia due to the potential growth of sales of the stores as well as the store expansion plan of Ms. Zhou Jia.

Listing Rules Implication

As the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5%, each of the transaction with Mr. Zhou Zishuo and with Ms. Zhou Jia will, upon [**REDACTED**], constitute continuing connected transaction of our Company and be subject to the reporting, annual review and announcement requirements but exempt from the circular and the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Under Rule 14A.76(2) of the Listing Rules, the abovementioned non-exempt continuing connected transactions will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules upon the [**REDACTED**].

As the non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis and have been fully disclosed in this document, our Directors consider that the announcement requirements thereof immediately after the [**REDACTED**] would be impractical and unduly burdensome, and would lead to unnecessary administrative costs to us.

Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange [has granted], waivers exempting us from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules in respect of the non-exempt continuing connected transactions, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, we will take immediate steps to ensure compliance with such new requirements within reasonable time.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that the non-exempt continuing connected transactions as set out above have been and will be entered into on normal commercial terms or better and in the Group's ordinary and usual course of business and are fair and reasonable and in the interests of our Company and Shareholders as a whole, and the proposed annual caps for those transactions are fair and reasonable and in the interest of our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the non-exempt continuing connected transactions as set out above have been and will be entered into on normal commercial terms or better and in the Group's ordinary and usual course of business and are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and the proposed annual caps are fair and reasonable and in the interests of the Group's Shareholders as a whole.

INTERNAL CONTROL MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- Our Group has approved internal guidelines which provide that if the value of any proposed connected transaction is expected to exceed certain thresholds, the relevant staff must report the proposed transactions to the head of the relevant business unit in order for our Company to commence the necessary additional assessment and approval procedures and ensure that we will comply with the applicable requirements under Chapter 14A of the Listing Rules;

- Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors in order for them to conduct an annual review of the continuing connected transactions entered into by our Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap; and

- When considering any renewal or revisions to the agreements after [**REDACTED**], the interested Directors and Shareholders shall abstain from voting on the resolutions to approve such transactions at board meetings or shareholders' general meetings (as the case may be). If the independent Directors' or independent Shareholders' approvals cannot be obtained, we will not continue the transactions under the framework agreements to the extent that they constitute non-exempt continuing connected transactions under rule 14A.35 of the Listing Rules.

BOARD OF DIRECTORS

Our Board of Directors comprises of seven Directors, including four executive Directors and three independent non-executive Directors. Our Directors serve a term of three years and may be re-elected for successive reappointments.

The following table sets out information in respect of the Directors:

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Key responsibilities	Relationship with Directors, Supervisors and senior management
Executive Directors						
Mr. Shan Weijun (單衛鈞先生) …	[47]	Co-founder, chairperson of the Board, executive Director and chief executive officer	November 2013	November 2013	Responsible for the brand strategy, major development plans and corporate culture values implementation of our Group	Spouse of Ms. Zhou
Ms. Zhou Rongrong (周蓉蓉女士) …	[46]	Co-founder, executive Director and deputy chief executive officer	November 2020	November 2013	Responsible for making major business and development plans and product chain management of our Group with our chairperson	Spouse of Mr. Shan
Mr. Zhou Tianmu (周天牧先生) …	[43]	Executive Director and deputy chief executive officer	November 2023	May 2022	Responsible for assisting our chairperson in overall business strategies and operations management of our Group	None
Mr. Wang Jiaxing (汪加興先生) …	[48]	Executive Director and senior director of online operation department	November 2023	December 2014	Responsible for the online operation support and operation management in East China region	None

Name	Age	Position/Title	Date of Appointment as Director	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and senior management
Independent Non-executive Directors						
Mr. Han Ding-Gwo (韓定國先生) …	[71]	Independent non-executive Director	November 2023	November 2023	Providing independent strategic advice and guidance on the business and operations of our Group	None
Mr. Chung Chong Sun (鍾創新先生) …	[48]	Independent non-executive Director	February 2024 (effective from the document date)	February 2024	Providing independent strategic advice and guidance on the business and operations of our Group	None
Ms. Yu Fang Jing (郁昉瑾女士) …	[45]	Independent non-executive Director	February 2024 (effective from the document date)	February 2024	Providing independent strategic advice and guidance on the business and operations of our Group	None

Executive Directors

Mr. Shan Weijun (單衛鈞先生), aged [47], is our co-founder, chairperson of the Board, executive Director and chief executive officer. He is primarily responsible for the brand strategy, major development plans and corporate values implementation of our Group.

Mr. Shan has over 10 years of experience in freshly-made tea industry and over 20 years of experience in sales management. Mr. Shan co-founded our Group in November 2013 and has been acting as a director of our certain subsidiaries, including acting as an executive director of Shanghai Senying since June 2017, Shanghai Ruizhong since February 2021 and Zhejiang Senyi since June 2021, respectively. Prior to founding our Group, Mr. Shan has provided services to Amway (China) Co., Ltd. (安利(中國)日用品有限公司) since November 1996, with his latest title as senior sales manager.

Mr. Shan obtained a college diploma in marine engineering management from Jiangsu Maritime Institute (江蘇海事職業技術學院), formerly known as Nanjing Shipping School (南京航運學校) in the PRC, in July 1996.

Mr. Shan was awarded the iSEEAWARD – Innovator of the Year (全球食品創新獎—年度創新人物) by Foodaily (每日食品) in 2023.

Ms. Zhou Rongrong (周蓉蓉女士), aged [46], is our co-founder, executive Director and deputy chief executive officer. She is primarily responsible for making major business and development plans and product chain management of our Group with our chairperson.

Ms. Zhou has over 10 years of experience in freshly-made tea industry and over 20 years of experience in sales management. Ms. Zhou co-founded our Company in November 2013. Prior to founding our Group, from October 1999 to April 2006, Ms. Zhou worked in AVON China Co., Ltd. (雅芳(中國)有限公司) with her last position as a regional sales manager. Since June 2007, Ms. Zhou has provided services to Amway (China) Co., Ltd. (安利(中國)日用品有限公司) with her latest title as senior sales manager.

Ms. Zhou obtained a college's degree in English from Northeast Normal University (東北師範大學) in the PRC in July 1997.

Mr. Zhou Tianmu (周天牧先生), aged [43], is our executive Director and deputy chief executive officer. He is responsible for assisting our chairperson in overall business strategies and operations management of our Group.

Mr. Zhou has approximately 20 years of experience in marketing. Mr. Zhou joined our Group in May 2022 as the chief operating officer and has served as the executive Director and deputy chief executive officer of our Company since November 2023. Prior to joining our Group, Mr. Zhou served as the petty commodity channel national sales director in Guangzhou Procter & Gamble Co., Ltd. Shanghai Branch (廣州寶潔有限公司上海分公司) from July 2004 to June 2012 and as a marketing director of Greater China shaving care and battery category in Procter & Gamble (China) Sales Co., Ltd. (寶潔(中國)營銷公司) from July 2012 to May 2015, both of which are subsidiaries of Procter & Gamble (寶潔), a company listed on the New York Stock Exchange (NYSE: PG). From September 2015 to May 2016, Mr. Zhou served as the business strategy and planning director in China in Vitasoy (Shanghai) Co., Ltd. (維他奶(上海)有限公司), a subsidiary of Vitasoy International Holdings Ltd. (維他奶國際集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 345). Mr. Zhou worked in Alibaba Group Holding Limited (阿里巴巴集團) ("**Alibaba Group**"), a company listed on the New York Stock Exchange (NYSE: BABA) and on the Main Board of the Stock Exchange (stock code: 9988), from May 2016 to May 2022, successively serving as the general manager of Koubei (口碑) fast-moving consumer goods retail division and the general manager of Alibaba Group supermarket ecological business department.

Mr. Zhou obtained a bachelor's degree in biology and a master's degree in ecology from Nanjing University (南京大學) in the PRC in June 2002 and June 2004, respectively.

Mr. Wang Jiaxing (汪加興先生), aged [48], is our executive Director and senior director of online operation department. He is primarily responsible for the online operation support and operation management in East China region.

Mr. Wang joined our Group in December 2014 successively serving as the operating director, senior operating director of the East China region and senior director of online operation department, and has served as the executive Director since November 2023. Mr. Wang worked in Shanghai Daili Catering Management Co., Ltd. (上海岱麗餐飲管理有限公司) from November 2008 to November 2014.

Mr. Wang obtained a diploma (中專文憑) in rural integrated management from Xuan Cheng Technical School (宣城市工業學校), formerly known as Jing County Senior Vocational High School (涇縣高級職業中學) in the PRC, in June 1993.

Independent Non-executive Directors

Mr. Han Ding-Gwo (韓定國先生), aged [71], was appointed as an independent non-executive Director in November 2023.

Mr. Han has over 20 years of experience in the catering industry. Mr. Han worked in YUM Restaurants International (Thailand) Co., Ltd. from December 2003 to December 2006 with his last position as the vice president and country manager, and served as the managing director in Yum! Restaurants (Taiwan) Co., Ltd. (台灣百勝肯德基股份有限公司) from December 2006 to August 2007. Since October 2007, Mr. Han has served as a project leader at Temasek Holdings Consulting (Shanghai) Co., Ltd. From June 2015 to June 2018, Mr. Han served as a representative of director in Yaming Town Co., Ltd. (雅茗天地股份有限公司), shares of which are listed on the Taiwan Stock Exchange (stock code: 2726). Since December 2012, Mr. Han has served as a non-executive director of HYGE CYBER LTD (貝拉吉奧餐飲有限公司). Since October 2020, Mr. Han has served as an independent director of FY Group Limited (峰源集團股份有限公司), shares of which are listed on the Taiwan Stock Exchange (stock code: 6807). Mr. Han has also served as a director of Dwen An Social Welfare Foundation, a consortium corporation in Taipei (財團法人台北市敦安社會福利基金會) since January 2024.

Mr. Han obtained a bachelor's degree in international relationship from National Taiwan University (國立台灣大學) in Taiwan in June 1976.

Mr. Han obtained the Outstanding Youth Medal (優秀青年獎章) granted by Mr. Chiang Ching-Kuo (蔣經國) in 1981. He was named as the Top Ten Outstanding Youth in Taiwan (臺灣十大傑出青年) by the International Youth Chamber of Commerce (國際青商會) in 1986, the First Outstanding Young Alumni of National Taiwan University (臺灣大學第一屆傑出青年校友) and the Outstanding Alumni of National Taiwan University (臺灣大學傑出校友) by National Taiwan University (國立台灣大學) in 1988 and 2022, respectively. He served as the Executive Committee Member of the Chinese Taipei Olympics (中華臺北奧林匹克執行委員) from 1990 to 1997. He has been a director of the International Cultural and Educational Foundation (國際文教基金會) since April 2021, and director of the Zhongliu Cultural and Educational Foundation (中流文教基金會) since July 2022.

Mr. Chung Chong Sun (鍾創新先生), aged [48], was appointed as an independent non-executive Director in February 2024, effective from the document date.

Mr. Chung has over 25 years of professional experience in financing and capital operations. He worked at the investment bank department in Standard Chartered Bank (Hong Kong) from July 1997 to May 2000, with his last position as an associate, worked as a senior executive in Deloitte & Touche Corporate Finance Limited (德勤企業財務顧問有限公司) from May 2000 to July 2001, and served as an associate director of mergers and acquisitions department as his last position in Cooperative Rabobank U.A. Hong Kong Branch (荷蘭合作銀行香港分行), a Dutch multinational banking and financial services company from August 2001 to August 2003. Mr. Chung worked as manager of Mainland investment promotion unit in InvestHK of the government of Hong Kong (投資推廣署) from August 2003 to December 2005, and worked as senior vice president of issuer services, market development department in Hong Kong Exchanges and Clearing Limited (香港交易及結算所有限公司) from December 2005 to September 2018. Mr. Chung has been the director of Resourceful Minds Limited (滙路有限公司) since September 2018. He worked as a chief financial officer in Xiaoi Robot Technology (H.K.) Limited (香港智臻智能網絡科技有限公司) from September 2018 to July 2019, and served as a director of the executive committee and a contact convener of the AI and Hi-Tech Group in the Hong Kong Chamber of Commerce in China-Shanghai (中國香港(地區)商會－上海) from November 2018 to November 2019. Mr. Chung has been appointed as a member of the advisory committee of the IT Innovation Lab in Secondary Schools Initiative by the government of Hong Kong SAR since September 2020. He is currently serving as an independent non-executive Director of Zhong An Intelligent Living Service Limited (眾安智慧生活服務有限公司) (stock code: 2271), Strawbear Entertainment Group (稻草熊娛樂集團) (stock code: 2125) and Radiance Holdings (Group) Company Limited (金輝控股(集團)有限公司) (stock code: 9993), shares of which are listed on the Main Board of the Stock Exchange, since December 2021, December 2020 and October 2020, respectively.

Mr. Chung graduated from The Chinese University of Hong Kong (香港中文大學) with bachelor's degree of Business Administration in December 1997. He obtained his Chartered Financial Analyst qualification granted by CFA Institute (特許金融分析師組織) and Certified Public Accountant qualification granted by Board of Accountancy of Washington State (華盛頓州會計師公會) in September 2004 and July 2003, respectively.

Ms. Yu Fang Jing (郁昉瑾女士), aged [45], was appointed as an independent non-executive Director in February 2024, effective from the document date.

Ms. Yu has professional legal experience in Hong Kong capital market for over 20 years. From August 2003 to October 2010, Ms. Yu worked in the Hong Kong and Beijing Offices in Freshfields Bruckhaus Deringer LLP (富而德律師事務所), with her last position as a senior associate. From February 2011 to April 2018, Ms. Yu worked in the Beijing and Shanghai Offices in Clifford Chance LLP (高偉紳律師事務所) with her last position during the above period as a partner. Ms. Yu then served as a partner in the Hong Kong Office of Tian Yuan Law Firm from September 2019 to February 2021, and as a partner in the Hong Kong Office of Paul Hastings LLP (普衡律師事務所) from March 2021 to November 2022. Since December 2022, Ms. Yu has worked in Mont Avenir Capital Limited (未來金融有限公司), with her current position as the head of legal department and managing director. Since October 2023, Ms. Yu has served as an independent non-executive director in Guoquan Food (Shanghai) Co., Ltd. (鍋圈食品(上海)股份有限公司), shares of which are listed on the Main Board of the Stock Exchange (stock code: 2517).

Ms. Yu obtained the bachelor's degree in law from University of New South Wales in Australia in January 2002. And Ms. Yu has been a member of the law society of Hong Kong since 2006 and she was qualified as a solicitor of Hong Kong in December 2005.

SUPERVISORY COMMITTEE

Our 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 reviewing financial reports, business reports and profit distribution plans prepared by the Board and overseeing the financial and business performance of our Group. They are also entitled to appoint certified public accountants and practicing auditors to re-examine our Company's financial information where necessary.

The following table sets out information in respect of the Supervisors:

Name	Age	Position/Title	Date of Appointment as Supervisor	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and senior management
Mr. Gu Liang (顧亮先生)	[33]	Supervisor	February 2021	March 2014	Supervising the daily operation and management of the Company	None
Ms. Xu Na (許娜女士)	[30]	Supervisor	November 2023	March 2016	Supervising the daily operation and management of the Company	None
Ms. Chen Fangfang (陳芳芳女士) ...	[37]	Supervisor	November 2023	November 2014	Supervising the daily operation and management of the Company	None

Supervisors

Mr. Gu Liang (顧亮先生), aged [33], is our Supervisor.

Mr. Gu joined our Group in March 2014 successively serving as the manager of the training department, operating director, director of operating management department and the senior operating director of the north region. He has served as the Supervisor since February 2021. Prior to joining our Group, Mr. Gu worked in Shanghai Zhaoyi Catering Management Co., Ltd. (上海肇億餐飲管理有限公司) from March 2013 to September 2013 and in Shanghai Yihan Trade Co., Ltd. (上海億瀚商貿有限公司) from October 2013 to February 2014.

Mr. Gu graduated from Changjiang School in Shanghai Chongming District (上海市崇明區長江學校) in the PRC in June 2008.

Ms. Xu Na (許娜女士), aged [30], is our Supervisor.

Ms. Xu joined our Group in March 2016 currently serving as the account manager senior specialist, and has served as the Supervisor since November 2023. Prior to joining our Group, Ms. Xu worked in Shanghai Tonglu Kuaijian Network Outsourcing Co., Ltd. (上海通路快建網絡服務外包有限公司) from September 2013 to October 2015.

Ms. Xu obtained a bachelor's degree in marketing from Wuhan Technology and Business University (武漢工商學院), formerly known as South-Central Minzu University (中南民族大學) in the PRC, in June 2014.

Ms. Chen Fangfang (陳芳芳女士), aged [37], is our Supervisor.

Ms. Chen joined our Group in November 2014 successively serving as purchasing supervisor, purchasing deputy manager, purchasing manager and food purchasing senior expert, and has served as the Supervisor since November 2023. Prior to joining our Group, Ms. Chen worked in Huabo Automobile Mirror (Shanghai) Co., Ltd. (華博汽車鏡(上海)有限公司) from December 2009 to May 2011, and in Shanghai Zhaoyi Trading Co., Ltd. (上海肇億商貿有限公司) from July 2011 to November 2014.

Ms. Chen obtained a college diploma in customs declaration and international freight from Shanghai Business School (上海商學院) in the PRC in July 2009 and completed the part-time adult education study in accounting from East China University of Science and Technology (華東理工大學) in the PRC in January 2015.

Ms. Chen has been the Certified Professional Purchasing Manager (CPPM), granted by American Purchasing Society and certified by Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) since March 2018, the Tea Artist (茶藝師) issued by Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) since October 2020 and the Tea Appraiser (評茶員) issued by the Human Resources and Social Security Bureau of Keqiao District, Shaoxing City (紹興市柯橋區人力資源和社會保障局) since January 2021.

SENIOR MANAGEMENT

The following table sets out information regarding the members of senior management of our Company:

Name	Age	Position/Title	Date of Appointment as Senior Management	Date of Joining our Group	Role and Responsibility	Relationship with Directors, Supervisors and senior management
Mr. Shan Weijun (單衛鈞先生) …	[47]	Co-founder, chairperson of the Board, executive Director and chief executive officer	November 2013	November 2013	Responsible for the brand strategy, major development plans and corporate culture values implementation of our Group	Spouse of Ms. Zhou
Ms. Zhou Rongrong (周蓉蓉女士) …	[46]	Co-founder, executive Director and deputy chief executive officer	November 2013	November 2013	Responsible for making major business and development plans and product chain management of our Group with our chairperson	Spouse of Mr. Shan
Mr. Zhou Tianmu (周天牧先生) …	[43]	Executive Director and deputy chief executive officer	May 2022	May 2022	Responsible for assisting our chairperson in overall business strategies and operations management of our Group	None
Mr. Wang Jiaxing (汪加興先生) …	[48]	Executive Director and senior director of online operation department	January 2019	December 2014	Responsible for the online sales channel and operation management in East China region	None
Mr. Li Xunzeng (李勛增先生) …	[41]	Chief financial officer	December 2022	February 2022	Responsible for the financial management of our Group	None
Ms. Wang Juan (王娟女士)	[40]	Board secretary and joint company secretary	November 2022	November 2022	Responsible for the Company's compliance management, information disclosure and investor relations management	None

For details of the biographies of Mr. Shan Weijun (單衛鈞先生), Ms. Zhou Rongrong (周蓉蓉女士), Mr. Zhou Tianmu (周天牧先生) and Mr. Wang Jiaxing (汪加興先生), see "— Board of Directors."

Mr. Li Xunzeng (李勛增先生), aged [41], is our chief financial officer. He is primarily responsible for the financial management of our Group.

Mr. Li joined our Group in February 2022 successively serving as the director of budget analysis and chief financial officer. Prior to joining our Group, Mr. Li worked in Shenzhen Mingde Holding Development Co., Ltd. (深圳明德控股發展有限公司), formerly known as SF Express (Group) Co., Ltd. (順豐速運(集團)有限公司), with his last position as the branch supervisor, from July 2006 to March 2009. From November 2009 to August 2011, he worked as a general ledger accountant in AirMedia Group Inc. (航美傳媒集團有限公司), formerly known as Beijing Hangmei Media Advertising Co., Ltd. (北京航美傳媒廣告有限公司), shares of which are listed on NASDAQ (Nasdaq: AMCN). From August 2011 to June 2015, Mr. Li worked in Beijing Jingdong Century Trade Co., Ltd. (北京京東世紀貿易有限公司), successively serving as the operation analysis manager of the group headquarter and the financial manager of the East China region. Mr. Li has served as the senior financial manager in Shanghai Juyue Information Technology Co., Ltd. (上海聚岳信息技術有限公司) from August 2015 to March 2017. From April 2017 to May 2018, he served as a senior financial manager of Shanghai Xinfeifan E-Commerce Co., Ltd. (上海新飛凡電子商務有限公司). He served as the senior financial manager in Shanghai Piguet Information Technology Co. (上海彼格信息科技有限公司) from June 2018 to January 2021 and as the chief financial officer in Shanghai Rongxue Network Technology Co., Ltd. (上海榮學網絡科技有限公司) from January 2021 to August 2021.

Mr. Li obtained a bachelor's degree in financial management from Central South University (中南大學) in the PRC in June 2006 and a master's degree in business administration from Jiangnan University (江南大學) in the PRC in June 2021. Mr. Li was admitted as a non-practicing member by the Jiangsu Institute of Certified Public Accountants (江蘇省註冊會計師協會) in April 2015.

Ms. Wang Juan (王娟女士), aged [40], is our board secretary and joint company secretary. She is primarily responsible for the Company's compliance management, information disclosure and investor relations management.

Ms. Wang joined our Group in November 2022 serving as the board secretary and was also appointed as the joint company secretary. Prior to joining our Group, Ms. Wang worked in Nanjing Red Sun Co., Ltd. (南京紅太陽股份有限公司) from December 2008 to May 2011, shares of which are listed on the Shenzhen Stock Exchange (stock code: 000525), with her last position as the securities representative. From May 2011 to November 2022, Ms. Wang worked in Shanghai Mercury Home Textiles Co. Ltd. (上海水星家用紡織品股份有限公司), shares of which are listed on the Shanghai Stock Exchange (stock code:603365), with her last position as the board secretary.

Ms. Wang obtained a bachelor's degree in engineering from Northwest A&F University (西北農林科技大學) in the PRC in July 2005, and a master's degree in agriculture from Zhejiang University (浙江大學) in the PRC in June 2007. She also obtained a master's degree in economics from Fudan University (復旦大學) in the PRC in January 2018. In addition, Ms. Wang is an intermediate economist granted by Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in November 2018.

Save as disclosed above, (i) none of our Directors, Supervisors and members of senior management 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; and (ii) none of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and 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

Ms. Wang Juan (王娟女士) is the board secretary and a joint company secretary of our Company. For details of her biography, see "— Senior Management" in this section.

Ms. Yu Anne (余安妮女士) is a joint company secretary of our Company. Ms. Yu is an assistant manager of SWCS Corporate Services Group (Hong Kong) Limited and has over 20 years experiences in corporate secretarial field. Ms. Yu holds a bachelor's degree from University of Huddersfield in the United Kingdom and a Master of Law degree from The University of Law in the United Kingdom and she is also an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Yu is currently the joint company secretary of several listed companies on the Hong Kong Stock Exchange.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has formed three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination 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 part II of the Corporate Governance Code, Appendix C1 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. Chung Chong Sun, Mr. Han Ding-Gwo and Ms. Yu Fang Jing. Mr. Chung Chong Sun holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules and serves as the chairperson of the Audit Committee. The primary duties of the Audit Committee include, but not limited to, the following:

- examining the authenticity of financial reports of our Company and monitoring financial reporting procedures of our Company;
- examining the effectiveness of risk management and internal control system of our Company;
- ensuring that our Company's resources in accounting, internal audit and financial reporting functions, qualifications and experience of our Company's accounting and reporting personnel, and the training and budget for relevant expenditures are adequate;
- reviewing results of internal investigations and responses from management in relation to any suspected dishonesty, non-compliances or suspected violations of laws, rules and regulations;
- evaluating whether our Company has any major internal control defaults or deficiencies;
- evaluating the nature and severity of major risks faced by our Company in the preceding financial year;
- evaluating the performance of the audit function and personnel;
- proposing the appointment of external auditors to our Board, and reviewing the qualification, independence and performance of the external auditors; and
- regularly examining the financial reports and annual reports of our Company.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with paragraph E.1 of part II of the Corporate Governance Code, Appendix C1 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. Han Ding-Gwo, Ms. Yu Fang Jing and Mr. Shan Weijun. Mr. Han Ding-Gwo serves as the chairperson of the Remuneration Committee. The primary duties of the Remuneration Committee include, but not limited to, the following:

- formulating the overall remuneration policy and structure of our Company's Directors, Supervisors and members of the senior management, formulating proper and transparent remuneration procedures and making suggestions to our Board;

- reviewing and approving remuneration proposals of members of our senior management in accordance with our Company's policies and objectives as approved by our Board from time to time;

- making recommendations to our Board on remuneration of individual executive Directors and member of senior management, including non-monetary benefits, pension rights and amount of compensation (including compensation for loss or termination of office or appointment);

- making recommendations to our Board on remuneration of our non-executive Directors (including independent non-executive Directors), Supervisors, advisers to the Board (if any) and committees of our Board;

- reviewing and approving compensation payable to our executive Directors, Supervisors and members of senior management for loss or termination of office or appointment, so as to ensure that such compensation is consistent with the terms of relevant contracts, and if such compensation is not determined in accordance with the relevant contract terms, compensation should be fair, reasonable and not excessive;

- reviewing and approving compensation arrangements in relation to dismissal or removal of our Directors due to misconduct, so as to ensure that such compensation is consistent with terms of relevant contract, and if such compensation is not determined in accordance with the relevant contract terms, compensation should be fair, reasonable and not excessive; and

- dealing with other matters as required by laws, regulations, rules, articles of our Company, terms of reference and applicable securities regulatory authorities, and other matters that are authorized by the Board.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with paragraph B.3 of part II of the Corporate Governance Code, Appendix C1 to the Listing Rules. The Nomination Committee consists of three Directors, namely Mr. Shan Weijun, Mr. Chung Chong Sun and Ms. Yu Fang Jing. Mr. Shan Weijun serves as the chairperson of the Nomination Committee. The primary duties of the Nomination Committee include, but not limited to, the following:

- reviewing the structure, composition and diversity of our Board at least once a year with reference to our Company's business activities, scale of assets and shareholding structure, and making recommendations to our Board on any change in Board composition in accordance with our Company's strategies;

- making recommendations on the appointment and re-appointment of our Directors (in particular, the chairperson of our Board, and including our non-executive Directors and independent non-executive Directors) and our chief executive officer;

- conducting search in potential suitable candidates for Directors and making recommendations to our Board on the suitable candidates;

- evaluating the independence of our independent non-executive Directors, the performance of our Directors (including both executive and non-executive Directors) and whether our Directors have devoted sufficient time in performing their duties;

- developing corporate governance standards and procedures and monitoring the implementation of such standards and procedures, and making recommendations to our Board;

- monitoring and overseeing the trainings and continuous professional development plan for our Directors, Supervisors and members of our senior management, and developing and overseeing the compliance of code of conducts and compliance handbook (if any) for our employees, Directors and Supervisors;

- formulating and evaluating our Board diversity policy, and making disclosures in the corporate governance report (which shall be included as part of our annual report) the relevant policies, including the nomination procedures adopted by the nomination committee and standards for the election of our Board members; and

- dealing with other matters that are authorized by our Board or our Articles from time to time, and other matters that are required by applicable laws from time to time.

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 on January 27, 2024, 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, SUPERVISORS AND SENIOR MANAGEMENT

We offer our executive Directors, Supervisors and senior management members, who are also the Company's employees, compensation in the form of salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind. Our independent non-executive Directors receive compensation with reference to their respective positions and duties, including being a member or the chairperson of Board committees.

For the years ended December 31, 2021, 2022 and the nine months ended September 30, 2023, the aggregate amount of remuneration paid or payable, including share-based compensation, to our Directors and Supervisors amounted to RMB2.73 million, RMB4.62 million and RMB4.40 million, respectively.

Under the arrangement currently in force, we estimate the total compensation before taxation, including estimated-share based compensation, to be accrued to our Directors and our Supervisors for the year ending December 31, 2024 to be RMB28.2 million. The actual remuneration of Directors and Supervisors in 2024 may be different from the expected remuneration.

The total emoluments for the five highest paid individuals amounted to RMB6.13 million, RMB10.86 million and RMB7.69 million, for the years ended December 31, 2021, 2022 and the nine months ended September 30, 2023, respectively.

We confirmed that during the Track Record Period, no consideration was paid by our Company to, or receivable by, our Directors for making available directors' services or as termination benefits.

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 is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, our Company complies or intends to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Hong Kong Listing Rules after the [**REDACTED**].

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairperson and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairperson and chief executive officer and Mr. Shan currently performs these two roles. Our Board believes that, in view of his experience, personal profile and his roles in our Company as mentioned above, Mr. Shan is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as our chief executive officer. The Board also believes that vesting the roles of both chairperson and chief executive officer in the same person has the benefit of ensuring the consistent leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Besides, with three independent non-executive Directors out of a total of seven Directors in our Board, there will be sufficient independent voice within our Board to protect the interests of our Company and our Shareholders as a whole. Therefore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

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, education background, ethnicity 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, quality assurance and control, finance and accounting and corporate governance in addition to industry experience relevant to our Group's operations and business. They obtained degrees in various majors including English, biology, business administration, international relationship and law. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board has a diverse age and gender representation. 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. We will continue to apply the principles of appointments based on merits with reference to our board diversity policy as a whole.

Our Nomination Committee is responsible for reviewing the structure and diversity of the Board and selecting individuals to be nominated as Directors. After the **[REDACTED]**, our Nomination Committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness, and when necessary, make any revisions that may be required and recommend any such revisions to our Board for consideration and approval. The Nomination Committee will also include in annual reports a summary of the board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives.

COMPLIANCE ADVISOR

We have appointed — Haitong International Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 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]** of 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 Hong Kong Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or **[REDACTED]** volume of its listed securities or any other matters in accordance with Rule 13.10 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 Hong Kong 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 continuing requirements under the Listing Rules and applicable 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]**.

FUTURE PLANS AND PROSPECTS

See "Business — Growth Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** from the **[REDACTED]** of approximately HK$**[REDACTED]**, after deducting **[REDACTED]**, fees and estimated expenses payable by us in connection with the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the **[REDACTED]** stated in this document, and assuming no exercise of the **[REDACTED]**.

We currently intend to apply these net **[REDACTED]** for the following intended purposes in the amounts set forth below:

1. approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used for the enhancement of our digitalization capabilities. In particular:

   (i) approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to optimize our membership management system and expand our member base. In particular, we plan to (a) recruit talents with relevant expertise and (b) make procurement for relevant software and other infrastructure. In doing so, we expect to improve our understanding of consumer behavior and attract more repeat purchases through the use of digitalized technologies and improved utilization of algorithms and artificial intelligence which are expected to enable us to conduct real-time analysis of member consumption information, explore new traffic channels and attract new members;

   (ii) approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to upgrade our digitalization infrastructures to further improve our overall operation efficiency. In particular, we plan to (a) recruit talents with relevant expertise and (b) make procurement for relevant software, hardware and other infrastructure. In doing so, we expect to improve the performance of our data center and our ERP systems, supply chain and central management systems;

   (iii) approximately **[REDACTED]**%, or HK$**[REDACTED]**, will be used to upgrade our store operation management system. In particular, we plan to (a) recruit talents with relevant expertise and (b) make procurement for relevant software, hardware and other infrastructure. In doing so, we expect to integrate AIoT technology and store terminals to synchronize the equipment operating status with the headquarters' operating management platform to achieve synergistic effect, thereby improving store operating efficiency and service quality;

(iv) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to upgrade our self-developed franchisee platform. In particular, we plan to (a) recruit talents with relevant expertise and (b) make procurement for relevant software and other infrastructure. In doing so, we expect to provide franchisees with full investment cycle services from site selection, store opening, operation to exit and also to upgrade our *Auntea Jenny Store Assistant* to help franchisees keep better track of various aspects of store operation, such as product ordering, inventory level and other key operating data in real time; and

(v) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to build digitalized product management systems. In particular, we plan to (a) recruit talents with relevant expertise and (b) make procurement for relevant software and other infrastructure. In doing so, we expect to integrate product management, supply chain management and marketing management to connect the sales forecast, procurement plan and marketing strategy to help us design new products and launch more hit products.

2. approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for research and development to improve the quality of our raw materials and ingredients, create hit products, expand our product offerings and upgrade our equipment and machines. In particular:

(i) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to (a) recruit more research and development talents with expertise in areas such as food science and engineering and food processing and safety, (b) collaborate with institutions and suppliers and (c) procure advanced research and development equipment. In doing so, we expect to enhance our overall research and development capabilities, improve the quality of our ingredients and raw materials and further our research and development on new products, customer preference and technological support; and

(ii) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to (a) further upgrade automatic equipment used in our store network, such as smart milk tea machine and smart lemon tea machine, to enhance operation efficiency at stores and improve product quality with standardization and (b) add other innovative machines that help to expand our product offerings.

3. approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to strengthen our supply chain capabilities by enhancing our production, processing, warehousing, logistics and distribution capabilities. In particular:

   (i) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used for the expansion of our warehousing and logistics network. In particular, we plan to (a) set up frontline cold-chain storage warehouses for fruits near their origins, equipment and decoration materials warehouses, central distribution centers and ripening warehouses to improve the logistic efficiency and support our expansion of store networks, (b) procure advanced machinery and equipment with functions including automatic warehousing management, automatic inventory management and automatic information recording and (c) engage more IoT and other advanced technologies such as temperature and humidity sensors and GPS devices; and

   (ii) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to further upgrade our existing production facility. In particular, we plan to upgrade our Haiyan Facility by (a) upgrading existing production lines with equipments of higher automation level and (b) upgrading the infrastructure of the plant to accommodate the more automated production lines and equipment.

4. approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to enhance our brand awareness and further expand and empower our store network. In particular,

   (i) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to open self-operated stores in selected areas with high consumption and brand influence, such as commercial districts and popular check-in spots, which we believe will be helpful for establishing and enhancing our local presence and further promote our brands; and

   (ii) approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to (a) host franchisee events, such as nationwide franchisee meetings, to consolidate our relationship with franchisees and (b) recruit business development personnel to capture market growth opportunities and operation support personnel to empower and better serve our enlarged store network.

5. approximately [**REDACTED**]%, or HK$[**REDACTED**], will be used to invest in various marketing activities. In particular, we plan to (a) enhance collaboration with various online channels to increase our brand exposure, (b) launch crossover collaboration events, such as IP and brand collaboration and crossover products, to create hot topics among consumers and (c) use a variety of other marketing means, such as partnering with KOLs and trend marketing on various social media platforms to further strengthen our brand awareness.

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

If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the high end of the [**REDACTED**], and assuming no exercise of the [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will increase to approximately HK$[**REDACTED**]. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, being the low end of the [**REDACTED**], and assuming no exercise of the [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will decrease to approximately HK$[**REDACTED**]. The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the [**REDACTED**] stated in this document.

If the [**REDACTED**] is exercised in full, the additional net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the [**REDACTED**]). In the event that the [**REDACTED**] is exercised, we intend to apply the additional net [**REDACTED**] from the exercise of the [**REDACTED**] on a pro rata basis to the above purposes in the proportions stated above.

To the extent that our net [**REDACTED**] are not sufficient to fund our development plan, we intend to fund the shortfall through a variety of means, including banking facilities and cash on hand.

If the net [**REDACTED**] of the [**REDACTED**] are not immediately applied to the above purposes, we will only deposit those net [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO, the Law of the People's Republic of China on Commercial Banks (《中華人民共和國商業銀行法》) and other relevant laws in the PRC). If we urgently need the funds for the above purposes, but cannot immediately obtain the net [**REDACTED**] from the [**REDACTED**], we will use self-raised funds to meet the relevant funding requirements and replace these self-raised funds to meet the relevant funding requirements and replace these self-raised funds with the net [**REDACTED**] from the [**REDACTED**] when the [**REDACTED**] become available to us.

We will issue an appropriate announcement if there is any material change to the above proposed use of [**REDACTED**].

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 Company and our subsidiaries are managed and conducted in the PRC. Our executive Directors ordinarily reside in the PRC and they play 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 be ordinarily resident 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, and 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 and Rule 19A.15 of the Listing Rules subject to the following conditions:

1. We have appointed Mr. Shan Weijun (單衛鈞) ("**Mr. Shan**") and Ms. Yu Anne (余安妮) ("**Ms. Yu**") as our authorized representatives ("**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 enquiries 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;

2. 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) promptly at all times. Our Company will also inform the Hong Kong Stock Exchange promptly in respect of any changes of 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 (as applicable)) of all Directors to facilitate communication with the Hong Kong Stock Exchange;

3. 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 upon the request of the Hong Kong Stock Exchange; and

4. We have appointed Haitong International Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon [**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, who will provide us with professional advice on continuing obligations under the Listing Rules and act as the additional channel of communication with the Hong Kong Stock Exchange when the Authorized Representatives are not available, will have access at all times to our Authorized Representatives, our Directors, Supervisors and our senior management.

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 Institute of 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 Ms. Wang Juan (王娟) ("**Ms. Wang**"), our board secretary as one of our joint company secretaries. She has extensive experience in board and corporate management matters 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. Yu, a member of 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 and to provide assistance to Ms. Wang for an initial period of three years from the [**REDACTED**] to enable Ms. Wang 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 Ms. Wang 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 us,] a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Wang 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 ("**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 ("**Qualified Person**") 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. Yu will work closely with Ms. Wang to jointly discharge the duties and responsibilities as company secretary and assist Ms. Wang in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Ms. Yu will also assist Ms. Wang 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. Yu is expected to work closely with Ms. Wang and will maintain regular contact with Ms. Wang, the Directors, the Supervisors and the senior management of our Company. The waiver will be revoked immediately if Ms. Yu ceases to provide assistance to Ms. Wang 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, Ms. Wang will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the [**REDACTED**]. Ms. Wang will also be assisted by (a) the 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 Ms. Wang 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 and whether the need for ongoing assistance will continue. We will liaise with the Hong Kong Stock Exchange to enable it to assess whether Ms. Wang, having benefited from the assistance of Ms. Yu for the preceding three years, will have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of company secretary under Rule 3.28 so that a further waiver will not be necessary.

WAIVER IN RESPECT OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into and are expected to continue with certain transactions after the [**REDACTED**] which will constitute non-exempt continuing connected transactions under Chapter 14A of Listing Rules. We have applied for[, and the Hong Kong Stock Exchange has granted us,] waivers from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in the section headed "Connected Transactions — Non-Exempt Continuing Connected Transaction."

WAIVER IN RESPECT OF PUBLIC FLOAT REQUIREMENT

Rule 8.08(1)(a) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least 25% of the issuer's total issued share capital. However, Rule 8.08(1)(d) of the Listing Rules provides that the Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25%, in the case of issuers with an expected market capitalization at the time of [**REDACTED**] of over HK$10 billion, where it is satisfied that the number of securities concerned and the extent of their distribution would enable the market to operate properly with a lower percentage, and on condition that the issuer will make appropriate disclosure of the lower prescribed percentage of public float in the initial [**REDACTED**] document and confirm sufficiency of public float in successive annual reports after [**REDACTED**].

Based on the minimum [**REDACTED**] HK$[**REDACTED**] and assuming no exercise of the [**REDACTED**], we expect to achieve a minimum market capitalization of at least HK$[**REDACTED**] upon the [**REDACTED**]. Accordingly, we have applied to the Stock Exchange to exercise its discretion under Rule 8.08(1)(d) of the Listing Rules to grant, and the Stock Exchange [has granted], a waiver from strict compliance with the minimum public float requirement under Rule 8.08(1)(a) of the Listing Rules so that the minimum percentage of our Shares from time to time held by the public will be the higher of:

(a) [**REDACTED**]% of the total issued share capital of our Company; and

(b) such percentage of H Shares to be held by the public after the exercise of the [**REDACTED**].

This waiver was granted on the basis that (a) our minimum market capitalization is expected to be larger than HK$[**REDACTED**] at the time of [**REDACTED**] and there will be an open market for our Shares upon completion of the [**REDACTED**], (b) we have a significant [**REDACTED**] size and there will be sufficient liquidity in our H Shares notwithstanding a reduction in the minimum public float set out in Rule 8.08(1)(a) of the Listing Rules, (c) there will be an open market for the H Shares and that the number of H Shares and the extent of their distribution would enable the market to operate properly, (d) disclosure will be made in respect of the lower prescribed public float in this document and we will confirm the sufficiency of public float in our annual reports after [**REDACTED**], and (e) we will implement appropriate measures and mechanisms to ensure continual maintenance of the minimum percentage of public float.

In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Directors will take appropriate steps to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with.

[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 AUNTEA JENNY (SHANGHAI) INDUSTRIAL CO., LTD., CITIC SECURITIES (HONG KONG) LIMITED, HAITONG INTERNATIONAL CAPITAL LIMITED AND ORIENT CAPITAL (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Auntea Jenny (Shanghai) Industrial Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-79, 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 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021 and 2022 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-79 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 [**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 and 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 statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2023, 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 the nine months ended 30 September 2022 and 2023 and other explanatory information (the "**Interim Financial Information**").

The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of 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 purposes 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 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]
Certified Public Accountants
Hong Kong
[Date]

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 Hong Kong Institute of Certified Public Accountants ("**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	
		2021	2022	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	(Unaudited)
Revenue	6	1,640,442	2,199,005	1,644,601	2,535,029
Cost of sales		(1,282,909)	(1,612,726)	(1,211,256)	(1,745,257)
Gross profit		357,533	586,279	433,345	789,772
Other income and gains, net	7	12,282	26,976	19,475	42,048
Selling and marketing expenses		(177,951)	(278,471)	(211,875)	(256,496)
Administrative expenses		(70,767)	(113,228)	(75,827)	(118,338)
Research and development expenses		(5,867)	(13,260)	(8,874)	(19,215)
Finance costs	8	(2,592)	(6,356)	(4,871)	(5,205)
PROFIT BEFORE TAX	9	112,638	201,940	151,373	432,566
Income tax expense	12	(29,239)	(52,470)	(39,241)	(108,839)
PROFIT FOR THE YEAR/PERIOD		83,399	149,470	112,132	323,727
Attributable to:					
Owners of the parent		83,399	149,470	112,132	323,727
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic *(RMB)*	14	0.90	1.59	1.20	3.40
Diluted *(RMB)*	14	0.90	1.59	1.20	3.40

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December		Nine months ended 30 September	
		2021	**2022**	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
PROFIT FOR THE YEAR/PERIOD		83,399	149,470	112,132	323,727
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		83,399	149,470	112,132	323,727
Attributable to:					
Owners of the parent		83,399	149,470	112,132	323,727

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		As at 30 September
		2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	35,987	69,509	68,310
Right-of-use assets	*16*	94,346	135,329	124,980
Intangible assets	*17*	4,377	4,963	4,491
Financial investments at fair value through profit or loss	*18*	3,850	7,150	3,200
Deferred tax assets	*28*	12,964	28,802	26,308
Other non-current assets	*19*	20,078	12,201	14,148
Total non-current assets		**171,602**	**257,954**	**241,437**
CURRENT ASSETS				
Inventories	*20*	96,090	155,535	153,048
Prepayments, other receivables and other assets	*21*	55,388	57,791	61,320
Financial assets at fair value through profit or loss	*22*	226,230	260,901	683,128
Cash and cash equivalents	*23*	53,184	193,014	289,010
Total current assets		**430,892**	**667,241**	**1,186,506**

		As at 31 December		As at 30 September
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
CURRENT LIABILITIES				
Trade payables	*24*	119,066	186,508	191,753
Other payables and accruals	*25*	102,558	126,070	141,401
Contract liabilities	*26*	54,891	74,774	70,598
Interest-bearing bank borrowings	*27*	–	1,000	8,500
Lease liabilities	*16*	31,889	52,943	57,355
Tax payable		5,043	17,188	47,926
Total current liabilities		**313,447**	**458,483**	**517,533**
NET CURRENT ASSETS		117,445	208,758	668,973
TOTAL ASSETS LESS CURRENT LIABILITIES		**289,047**	**466,712**	**910,410**
NON-CURRENT LIABILITIES				
Contract liabilities	*26*	28,702	19,459	12,358
Lease liabilities	*16*	49,500	82,678	73,400
Deferred tax liabilities	*28*	583	–	–
Total non-current liabilities		78,785	102,137	85,758
Net assets		210,262	364,575	824,652
EQUITY				
Equity attributable to owners of the parent				
Paid-in capital	*29*	10,896	10,896	11,621
Reserves	*30*	199,366	353,679	813,031
Total equity		**210,262**	**364,575**	**824,652**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent				
	Paid-in capital	Capital reserve*	Statutory reserve*	(Accumulated losses)/ retained profits*	Total equity
	RMB'000 *(Note 29)*	*RMB'000* *(Note 30)*	*RMB'000* *(Note 30)*	*RMB'000* *(Note 30)*	*RMB'000*
At 1 January 2021	10,690	87,060	102	(25,333)	72,519
Profit for the year	–	–	–	83,399	83,399
Capital injection	206	52,794	–	–	53,000
Share-based payments *(note 31)*	–	1,344	–	–	1,344
Transfer from retained profits	–	–	8,699	(8,699)	–
At 31 December 2021	10,896	141,198	8,801	49,367	210,262

Year ended 31 December 2022

	Attributable to owners of the parent				
	Paid-in capital	Capital reserve*	Statutory reserve*	Retained profits*	Total equity
	RMB'000 *(Note 29)*	*RMB'000* *(Note 30)*	*RMB'000* *(Note 30)*	*RMB'000* *(Note 30)*	*RMB'000*
At 1 January 2022	10,896	141,198	8,801	49,367	210,262
Profit for the year	–	–	–	149,470	149,470
Share-based payments *(note 31)*	–	4,843	–	–	4,843
Transfer from retained profits	–	–	1,050	(1,050)	–
At 31 December 2022	10,896	146,041	9,851	197,787	364,575

Nine months ended 30 September 2022

	Attributable to owners of the parent				
	Paid-in capital	**Capital reserve**	**Statutory reserve**	**Retained profits**	**Total equity**
	RMB'000 *(Note 29)*	*RMB'000* *(Note 30)*	*RMB'000* *(Note 30)*	*RMB'000* *(Note 30)*	*RMB'000*
At 1 January 2022	10,896	141,198	8,801	49,367	210,262
Profit for the period	–	–	–	112,132	112,132
Share-based payments *(note 31)*	–	3,397	–	–	3,397
At 30 September 2022 (unaudited)	10,896	144,595	8,801	161,499	325,791

Nine months ended 30 September 2023

	Attributable to owners of the parent				
	Paid-in capital**	**Capital reserve***	**Statutory reserve***	**Retained profits***	**Total equity**
	RMB'000 *(Note 29)*	*RMB'000* *(Note 30)*	*RMB'000* *(Note 30)*	*RMB'000* *(Note 30)*	*RMB'000*
At 1 January 2023	10,896	146,041	9,851	197,787	364,575
Profit for the period	–	–	–	323,727	323,727
Capital injection	725	131,285	–	–	132,010
Share-based payments *(note 31)*	–	4,340	–	–	4,340
At 30 September 2023 (unaudited)	11,621	281,666	9,851	521,514	824,652

* These reserve accounts comprise the consolidated reserves of RMB199,366,000, RMB353,679,000 and RMB813,031,000 (unaudited) in the consolidated statements of financial position as at 31 December 2021, 31 December 2022 and 30 September 2023, respectively.

** In November 2023, the Company was converted into a joint stock company with limited liability and the net assets of the Company were converted into 100,000,000 ordinary shares of RMB1 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve (note 29).

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		Nine months ended 30 September	
		2021	2022	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		112,638	201,940	151,373	432,566
Adjustments for:					
Finance income	*7*	(561)	(1,515)	(1,024)	(4,103)
Finance costs	*8*	2,592	6,356	4,871	5,205
Fair value changes of financial assets and financial investments at fair value through profit or loss		(6,805)	(3,451)	(6,601)	(8,095)
Share-based payment expenses	*9*	1,344	4,843	3,397	4,340
(Gains)/losses on disposal of property, plant and equipment		(38)	187	(14)	841
Covid-19-related rent concessions from lessors	*16*	(42)	(410)	(410)	–
Depreciation of property, plant and equipment	*15*	6,665	21,428	14,684	20,959
Depreciation of right-of-use assets	*16*	24,801	56,358	42,285	46,366
Amortisation of intangible assets	*17*	1,294	2,931	2,198	2,367
(Gain)/loss on early termination of leases	*7*	(93)	697	394	1,824
		141,795	289,364	211,153	502,270
(Increase)/decrease in inventories		(53,435)	(59,445)	(20,829)	2,487
Increase in prepayments, other receivables and other assets		(19,087)	(6,693)	(12,807)	(3,322)
(Increase)/decrease in other non-current assets		(8,420)	(1,154)	(2,797)	57
Increase in trade payables		43,362	67,442	32,612	5,245
Increase in other payables and accruals		62,717	20,076	24,587	13,648
Increase/(decrease) in contract liabilities		41,437	10,640	4,842	(11,277)
Cash generated from operations		208,369	320,230	236,761	509,108
Income tax paid		(36,345)	(52,457)	(32,081)	(73,500)
Net cash flows generated from operating activities		172,024	267,773	204,680	435,608

		Year ended 31 December		Nine months ended 30 September	
		2021	2022	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received		561	1,515	1,024	4,103
Purchases of items of property, plant and equipment		(47,950)	(44,078)	(25,517)	(22,121)
Proceeds from disposal of items of property, plant and equipment		464	1,409	1,105	826
Purchases of intangible assets		(3,506)	(3,517)	(3,468)	(1,895)
Proceeds from financial assets at fair value through profit or loss		1,468,945	883,480	628,342	876,153
Purchases of financial assets at fair value through profit or loss		(1,565,000)	(913,000)	(692,630)	(1,290,000)
Proceeds from disposal of financial investments at fair value through profit or loss		–	–	–	3,666
Purchases of financial investments at fair value through profit or loss		(3,220)	(5,000)	(3,800)	–
Net cash flows used in investing activities		(149,706)	(79,191)	(94,944)	(429,268)
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal portion of lease payments	*16*	(33,848)	(43,396)	(30,002)	(42,707)
Interest portion of lease payments	*16*	(2,592)	(6,347)	(4,871)	(5,104)
Proceeds from interest-bearing bank borrowings		–	1,000	–	17,500
Capital injection		53,000	–	–	132,010
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Interest paid		–	(9)	–	(101)
Repayment of interest-bearing bank borrowings		–	–	–	(10,000)
Net cash flows generated from/(used in) financing activities		16,560	(48,752)	(34,873)	89,656

		Year ended 31 December		Nine months ended 30 September	
		2021	2022	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS		38,878	139,830	74,863	95,996
Cash and cash equivalents at beginning of year/period		14,306	53,184	53,184	193,014
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		53,184	193,014	128,047	289,010
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances	*23*	53,184	193,014	128,047	289,010
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		53,184	193,014	128,047	289,010

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		As at 30 September
		2021	2022	2023
	Notes	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	12,605	8,683	6,960
Right-of-use assets	*16*	14,218	10,225	7,492
Intangible assets	*17*	4,006	4,310	101
Investments in subsidiaries	*1*	38,216	58,036	92,775
Financial investments at fair value through profit or loss	*18*	3,850	3,750	–
Deferred tax assets	*28*	2,118	12,173	14,853
Other non-current assets	*19*	7,955	712	2,726
Total non-current assets		**82,968**	**97,889**	**124,907**
CURRENT ASSETS				
Inventories	*20*	116	138	110
Prepayments, other receivables and other assets	*21*	121,893	305,557	114,022
Financial assets at fair value through profit or loss	*22*	141,079	260,901	493,128
Cash and cash equivalents	*23*	19,824	102,873	67,087
Total current assets		**282,912**	**669,469**	**674,347**
CURRENT LIABILITIES				
Trade payables	*24*	5,945	8,691	12,661
Other payables and accruals	*25*	114,657	502,645	316,469
Contract liabilities	*26*	35,179	35,885	33,435
Interest-bearing bank borrowings	*27*	–	–	8,500
Lease liabilities	*16*	4,866	5,426	4,902
Tax payable		–	7,326	16,836
Total current liabilities		**160,647**	**559,973**	**392,803**
NET CURRENT ASSETS		122,265	109,496	281,544
TOTAL ASSETS LESS CURRENT LIABILITIES		**205,233**	**207,385**	**406,451**

		As at 31 December		As at 30 September
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
NON-CURRENT LIABILITIES				
Contract liabilities	*26*	28,702	19,459	12,358
Lease liabilities	*16*	7,074	3,210	2,423
Total non-current liabilities		**35,776**	**22,669**	**14,781**
NET ASSETS		169,457	184,716	391,670
EQUITY				
Paid-in capital	*29*	10,896	10,896	11,621
Reserves	*30*	158,561	173,820	380,049
Total equity		**169,457**	**184,716**	**391,670**

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Auntea Jenny (Shanghai) Industrial Co., Ltd. (the "**Company**"), formerly Shanghai Zhenjing Industry Co., Ltd. (上海臻敬實業有限公司), was registered in the People's Republic of China (the "**PRC**") as a limited liability company on 18 November 2013. In November 2023, the Company was converted into a joint stock company with limited liability with registered capital of RMB100,000,000. The registered office of the Company is located at Room 124, Floor 1, No. 28, Shenpujing Road, Zhujing Town, Jinshan District, Shanghai.

During the Relevant Periods and the nine months ended 30 September 2023, the Company and its subsidiaries (collectively referred to as the "**Group**") were involved in the operation of a franchised tea drink retailing network and the sale of tea drink related products in the PRC.

Information about subsidiaries

The Company's investments in subsidiaries as at the end of each of the Relevant Periods and 30 September 2023 were measured at cost.

Particulars of the Company's principal subsidiaries as at the date of this report are as follows:

Name*	*Note*	Place and date of registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Shanghai Ruizhong Industrial Co., Ltd. (上海睿眾實業有限公司)	*(a)*	PRC/Mainland China 29 December 2020	RMB10,000,000	100%	–	Supply chain management
Zhejiang Senyi Food Technology Co., Ltd. (浙江森逸食品科技有限公司)	*(a)*	PRC/Mainland China 23 June 2021	RMB50,000,000	100%	–	Raw material production
Shanghai Pangjia Network Technology Co., Ltd. (上海龐嘉網絡科技有限公司)	*(a)*	PRC/Mainland China 9 April 2021	RMB1,000,000	100%	–	Supply chain management and e-commerce retail
Shanghai Senying Catering Management Co., Ltd. (上海森鷹餐飲管理有限公司)	*(a)*	PRC/Mainland China 8 June 2017	RMB15,000,000	100%	–	Catering management
Shanghai Shenyu Investment Management Co., Ltd. (上海神域投資管理有限公司)	*(a)*	PRC/Mainland China 5 May 2015	RMB20,000,000	100%	–	Investment holding
Shanghai Senqian Technology Development Co., Ltd. (上海森乾科技發展有限公司)	*(a)*	PRC/Mainland China 29 June 2023	RMB2,000,000	100%	–	Technology services
Hangzhou Auntea Jenny Industrial Co., Ltd. (杭州滬上阿姨實業有限公司)	*(a)*	PRC/Mainland China 28 August 2023	RMB20,000,000	100%	–	Sale of products
Shanghai Pangyi Industrial Co., Ltd. (上海龐逸實業有限公司)	*(a)*	PRC/Mainland China 11 October 2023	RMB1,000,000	100%	–	Sale of software and Information technology services

Note:

(a) No audited financial statements have been prepared for these entities since their registration as statutory accounts are not required under the relevant rules and regulations in their jurisdictions of registration. During the Relevant Periods and the nine months ended 30 September 2023, the Company directly held 100% equity of these entities.

* The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

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 the nine months ended 30 September 2022 and 2023.

The Historical Financial Information has been prepared under the historical cost convention, except for financial investments or assets at fair value through profit or loss which have been measured at fair value.

Basis of consolidation

The Historical Financial Information include the financial information of the Company and its subsidiaries for the Relevant Periods and nine months period ended 30 September 2022 and 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 Historical Financial Information of the subsidiaries is 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 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 the related assets (including goodwill) and liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income 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 IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28 .	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[1, 3]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchange ability*[4]

1 Effective for annual periods beginning on or after 1 January 2024

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

4 Effective for annual periods beginning on or after 1 January 2025

The Group is in the process of making an assessment of the impact of these revised IFRSs upon initial application. So far, the Group considers that, these revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

The Group measures certain financial assets at fair value at the end of each of the reporting periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value 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 financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for non-financial asset is required (other than inventories and deferred tax 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 statement 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 reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement 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 joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement 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 lives, as follows:

Leasehold improvements	Over the shorter of the lease term and estimated useful live of the asset
Plant and machinery	10 years
Furniture, fixtures and equipment	3 to 5 years
Motor vehicles	4 years

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 statement 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 is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite useful 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 estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

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 and the estimated useful lives of the assets as follows:

Offices	2 to 6 years
Self-operated stores	2 to 6 years
Warehouses	2 to 6 years
Factory	5 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 and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of certain self-operated stores and warehouse (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). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets 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.

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 other comprehensive income 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.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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.

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

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 and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings 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 statement 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 statement 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 statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the monthly weighted average cost basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitment.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in 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 the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of services or of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) *Sale of goods to franchisees*

The Group sells goods, primarily ingredients, materials for the production of tea drinks and equipment, to third-party franchisees. Revenue from sale of goods to franchisees is recognised at the point in time when control of the asset is transferred to the franchisees, generally on delivery of the goods.

(b) *Provision of franchising services*

Revenues from franchising services are derived from franchise agreements which entitle the franchisees the access to the brand of the Group, the associated intellectual property and operational support services provided by the Group ("**the franchise rights**"). The original term of a franchise agreement is typically three years ("**the franchise period**"). The Group accounts for the franchise rights as a single performance obligation as they are highly interrelated and not individually distinct.

Franchisees are required to pay (i) an initial one-time non-refundable franchise fee, and (ii) continuous franchise fee, which is determined at a certain percentage of the amounts of goods purchased by the franchisees from the Group. The initial one-time non-refundable franchise fee is recognised over the franchise period as the franchisee simultaneously receives and consumes the benefits provided by the Group. For the continuous franchise fee, the Group applies usage-based royalties under IFRS 15 to recognise franchise service revenue when subsequent usage occurred or the performance obligation to which some or all of the usage-based royalty has been allocated has been satisfied (or partially satisfied), whichever is the later.

Franchisees are generally required to make a deposit, which is fully refundable upon the termination of the franchise period. The Group does not consider this advance consideration includes a significant financing component, since it is used to protect the Group from the failure of franchisees to adequately complete some or all of their obligations under the contracts.

(c) Sale from self-operated stores

The Group sells freshly-made tea drinks and other products to individual customers through its self-operated stores. Revenues from the sales of tea drinks and other products are recognised at the point in time when ordered goods are delivered and accepted by the customers.

Interest 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 or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Group operates share award schemes 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 receives remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments and Restricted Share Units ("**RSUs**"). The fair value of the services received in exchange for the grant of the equity instruments (RSUs) is recognised as an expense.

The total amount to be expensed is measured by reference to the fair value of the Group's shares at the grant date.

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.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group are required to participate in a central pension scheme operated by the local municipal government in Mainland China. The Group is required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 in respect of deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses 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. The carrying values of deferred tax assets relating to recognised tax losses at 31 December 2021 and 2022 and 30 September 2023 were RMB12,699,000, RMB12,110,000 and RMB5,975,000 (unaudited), respectively. Further details are contained in note 28 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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

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, 2022 and 30 September 2023. Other 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 in order to calculate the present value of those cash flows.

Fair value measurement of share-based payments

The Group has granted RSUs to the Group's employees during the Relevant Periods. The fair values of the RSUs were determined through the application of the discounted cash flow ("**DCF**") model at the grant dates. Significant estimates on assumptions, including the future cash flows and discount rate, were made by the board of directors of the Company. Further details are included in note 31 to the Historical Financial Information.

5. OPERATING SEGMENT INFORMATION

No operating segment information is presented as the Group's revenue and reported results during each of the Relevant Periods and the nine months ended 30 September 2022 and 2023, and the Group's total assets as at 31 December 2021, 2022 and 30 September 2023 were derived from one single operating segment.

Geographical information

As the Group generated all of its revenues in the PRC and all the non-current assets of the Group were in the PRC during each of the Relevant Periods and the nine months ended 30 September 2022 and 2023, no further geographical segments are presented.

Information about major customers

No sales to a single customer accounted for more than 10% of the Group's total revenue during each of the Relevant Periods and the nine months ended 30 September 2022 and 2023.

6. REVENUE

An analysis of revenue from contracts with customers is as follows:

(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 self-operated stores	83,132	126,076	97,114	95,105
Revenue from franchisees:				
Sales of goods to franchisees	1,241,650	1,707,422	1,280,298	2,020,786
Franchising services	315,633	364,722	266,566	415,397
Others	27	785	623	3,741
Total	**1,640,442**	**2,199,005**	**1,644,601**	**2,535,029**

(ii) Timing of revenue recognition

	Year ended 31 December		Nine months ended 30 September	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
At a point in time	1,324,809	1,834,283	1,378,035	2,119,632
Over time	315,633	364,722	266,566	415,397
Total	**1,640,442**	**2,199,005**	**1,644,601**	**2,535,029**

Revenue recognised that was included in contract liabilities at the beginning of the reporting period:

	Year ended 31 December		Nine months ended 30 September	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Sales of goods to franchisees	8,373	16,808	16,808	33,488
Franchising services	19,406	38,083	31,470	34,821
Total	**27,779**	**54,891**	**48,278**	**68,309**

(iii) Performance obligations

Information about the Group's performance obligations in relation to its principal business is summarised below:

Sales of goods to franchisees

The performance obligation is satisfied upon delivery of the goods and payment in advance is normally required.

Franchising services

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required.

Sales from self-operated stores

The performance obligation is satisfied at the point in time when the ordered goods are delivered and accepted by the customers.

As the practical expedient, the Group does not disclose the transaction price allocated to unsatisfied performance obligations for contracts with an original expected length of one year or less. The amounts of transaction prices allocated to the remaining performance obligations as disclosed below are related to franchisee income, of which the performance obligations are to be satisfied within three years. These amounts do not include variable consideration which is constrained.

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Amounts expected to be recognised as revenue:			
Within one year	38,083	43,249	51,262
After one year	28,702	30,870	43,621
	66,785	74,119	94,883

7. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net 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)
Government grants*	10,710	24,092	13,876	38,058
Fair value changes of financial assets at fair value through profit or loss	6,175	5,151	6,701	8,379
Fair value changes of financial investments at fair value through profit or loss	630	(1,700)	(100)	(284)
Interest income	561	1,515	1,024	4,103
Compensation expenses	(4,388)	–	–	–
Gain/(loss) on early termination of leases	93	(697)	(394)	(1,824)
Donations	(425)	(460)	(210)	(4,510)
Others	(1,074)	(925)	(1,422)	(1,874)
	12,282	26,976	19,475	42,048

* Government grants mainly represent various supports awarded by the local governments to support the Group's operation. There are no contingencies relating to these grants.

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 lease liabilities	2,592	6,347	4,871	5,104
Interest on interest-bearing bank borrowings	–	9	–	101
	2,592	6,356	4,871	5,205

9. 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
	Notes	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Cost of inventories sold*		1,116,314	1,375,479	1,040,721	1,515,966
Depreciation of property, plant and equipment	*15*	6,665	21,428	14,684	20,959
Depreciation of right-of-use assets	*16*	24,801	56,358	42,285	46,366
Amortisation of intangible assets	*17*	1,294	2,931	2,198	2,367
Lease payments not included in the measurement of lease liabilities	*16*	2,058	636	497	1,246
Employee benefit expenses (including directors' and supervisors' remuneration):					
Wages, salaries and allowances		151,034	240,731	169,551	235,085
Pension scheme contributions and other social welfare		14,201	20,943	13,914	29,032
Share-based payment expenses		1,344	4,843	3,397	4,340
Marketing and promotion expenses		62,930	96,737	74,871	92,733
Transportation expenses		37,690	67,220	46,302	71,807
Service fees		37,078	40,891	28,234	44,576
Outsourced labour expenses		35,214	39,266	34,509	13,631
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Interest income		(561)	(1,515)	(1,024)	(4,103)
Interest on interest-bearing bank borrowings	*8*	–	9	–	101
Interest on lease liabilities	*8*	2,592	6,347	4,871	5,104

* The cost of inventories sold amount excludes depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of intangible assets, employee benefit expenses, lease expenses and transportation expenses which are included in the cost of sales in the consolidated statements of profit or loss.

10. DIRECTORS', SUPERVISOR'S AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of directors, supervisors and the chief executive of the Company recorded in each of the Relevant Periods and the 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	–	–	–	–
Other emoluments:				
Salaries, allowances and benefits in kind	1,899	3,136	2,371	3,035
Performance-related bonuses	494	640	480	608
Pension scheme contributions	190	318	234	281
Share-based payment expenses	142	528	369	474
	2,725	4,622	3,454	4,398

(a) Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods and the nine months ended 30 September 2022 and 2023.

(b) Executive directors, a non-executive director, supervisors and the chief executive

Year ended 31 December 2021

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Mr. Shan Weijun[(1)]	–	535	41	58	–	634
Ms. Zhou Rongrong[(2)]	–	543	41	65	–	649
Non-executive Director:						
Mr. Yan Yiqing[(3)]	–	–	–	–	–	–
Supervisors:						
Mr. Gu Liang[(4)]	–	821	412	67	142	1,442
Ms. Wang Lijuan[(5)]	–	–	–	–	–	–
	–	1,899	494	190	142	2,725

Year ended 31 December 2022

	Fees	Salaries allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Mr. Shan Weijun[(1)]	–	1,026	–	106	–	1,132
Ms. Zhou Rongrong[(2)] ...	–	958	–	106	–	1,064
Non-executive Director:						
Mr. Yan Yiqing[(3)]	–	–	–	–	–	–
Supervisor:						
Mr. Gu Liang[(4)]	–	1,152	640	106	528	2,426
	–	3,136	640	318	528	4,622

Nine months ended 30 September 2022 (unaudited)

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Mr. Shan Weijun[(1)]	–	769	–	78	–	847
Ms. Zhou Rongrong[(2)] ...	–	769	–	78	–	847
Non-executive Director:						
Mr. Yan Yiqing[(3)]	–	–	–	–	–	–
Supervisor:						
Mr. Gu Liang[(4)]	–	833	480	78	369	1,760
	–	2,371	480	234	369	3,454

Nine months ended 30 September 2023 (unaudited)

	Fees	Salaries, allowances and benefits in kind	Performance-related bonuses	Pension scheme contributions	Share-based payment expenses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive Directors:						
Mr. Shan Weijun[(1)]	–	771	–	84	–	855
Ms. Zhou Rongrong[(2)] ...	–	771	–	84	–	855
Non-executive Director:						
Mr. Yan Yiqing[(3)]	–	608	500	29	–	1,137
Supervisor:						
Mr. Gu Liang[(4)]	–	885	108	84	474	1,551
	–	3,035	608	281	474	4,398

Notes:

(1) Mr. Shan Weijun was appointed as a director and the chief executive of the Company in November 2013.

(2) Ms. Zhou Rongrong was appointed as a director of the Company in November 2020.

(3) Mr. Yan Yiqing was appointed as a director of the Company in November 2020 and resigned as a director in November 2023.

(4) Mr. Gu Liang was appointed as a supervisor of the Company in February 2021.

(5) Ms. Wang Lijuan was appointed as a supervisor of the Company in February 2015 and resigned as a supervisor in February 2021.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during Relevant Periods and the nine months ended 30 September 2022 and 2023 included 1, 1, 1, 1 supervisor, respectively, and nil, nil, 1, nil director, respectively, details of whose remuneration are set out in note 10 above. Details of the remuneration for each of the Relevant Periods and the nine months ended 30 September 2022 and 2023 of the remaining highest paid employees who are neither a director nor chief executive of the Company 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	3,334	5,685	3,856	4,453
Performance-related bonuses	1,040	2,338	1,362	1,187
Share-based payment expenses	196	210	140	210
Pension scheme contributions	115	197	131	284
	4,685	8,430	5,489	6,134

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December		**Nine months ended 30 September**	
	2021	**2022**	**2022**	**2023**
			(Unaudited)	(Unaudited)
HK$1,000,001 to HK$1,500,000	3	–	1	2
HK$1,500,001 to HK$2,000,000	1	1	–	1
HK$2,000,001 to HK$2,500,000	–	2	2	1
HK$3,500,001 to HK$4,000,000	–	1	–	–
	4	4	3	4

12. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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 of the Group's PRC subsidiaries are qualified as small and micro enterprises and were entitled to a preferential EIT rate of 2.5% for the taxable income below RMB1 million during the Relevant Periods and a preferential EIT rate of 5% for the taxable income below RMB1 million during the nine months ended 30 September 2023, a preferential EIT rate of 10% for the taxable income between RMB1 million and RMB3 million during the year ended 31 December 2021 and a preferential EIT rate of 5% for the taxable income between RMB1 million and RMB3 million during the year ended 31 December 2022 and nine months ended 30 September 2023.

	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	36,069	68,891	55,426	106,345
Deferred tax	(6,830)	(16,421)	(16,185)	2,494
Tax charge for the year/period	29,239	52,470	39,241	108,839

A reconciliation of the tax expense applicable to profit before tax at the statutory rate applicable in Mainland China 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	112,638	201,940	151,373	432,566
Tax at the statutory tax rate of 25%	28,160	50,485	37,843	108,142
Effect of preferential tax rates of subsidiaries	–	(23)	(64)	(1)
Super-deduction of research and development expenses and others	(39)	(125)	(91)	(1,180)
Expenses not deductible for tax	1,118	2,133	1,553	1,878
Tax charge for the year/period at the Group's effective rate	29,239	52,470	39,241	108,839

13. DIVIDEND

No dividend has been paid or declared by the Company and its subsidiaries during the Relevant Periods and the nine months ended 30 September 2022 and 2023.

On 14 December 2023, pursuant to the shareholders' resolution, the Company declared a dividend of RMB60,000,000 to its shareholders.

14. 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/period attributable to owners of the parent, and the weighted average numbers of ordinary shares during the Relevant Periods and the nine months ended 30 September 2022 and 2023, respectively.

The weighted average number of ordinary shares in issue before the conversion into a joint stock company was determined by assuming that the paid-in capital had been fully converted into share capital at the same conversion ratio as upon transformation into a joint stock company in November 2023 (note 29).

(a) Basic

	Year ended 31 December		Nine months ended 30 September	
	2021	**2022**	**2022**	**2023**
			(Unaudited)	(Unaudited)
Profit attributable to owners of the parent *(RMB'000)*	83,399	149,470	112,132	323,727
Weighted average number of ordinary shares used in the basic earnings per share calculation	92,393,791	93,765,036	93,765,036	95,295,229
Basic earnings per share *(RMB)*	0.90	1.59	1.20	3.40

(b) Diluted

Diluted earnings per share amounts presented are the same as the basic earnings per share amounts as there were no potentially dilutive ordinary shares in issue during each of the Relevant Periods and the nine months ended 30 September 2022 and 2023.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021						
At 1 January 2021:						
Cost	1,653	–	2,839	43	64	4,599
Accumulated depreciation and impairment	(339)	–	(408)	(2)	–	(749)
Net carrying amount	1,314	–	2,431	41	64	3,850
At 1 January 2021, net of accumulated depreciation and impairment	1,314	–	2,431	41	64	3,850
Additions	4,793	522	12,304	265	21,344	39,228
Disposals	–	–	(426)	–	–	(426)
Transfers	18,693	–	–	–	(18,693)	–
Depreciation provided during the year	(4,307)	–	(2,329)	(29)	–	(6,665)
At 31 December 2021, net of accumulated depreciation and impairment	20,493	522	11,980	277	2,715	35,987
At 31 December 2021						
Cost	25,139	522	14,479	308	2,715	43,163
Accumulated depreciation and impairment	(4,646)	–	(2,499)	(31)	–	(7,176)
Net carrying amount	20,493	522	11,980	277	2,715	35,987

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022						
At 1 January 2022:						
Cost	25,139	522	14,479	308	2,715	43,163
Accumulated depreciation and impairment	(4,646)	–	(2,499)	(31)	–	(7,176)
Net carrying amount	20,493	522	11,980	277	2,715	35,987
At 1 January 2022, net of accumulated depreciation and impairment	20,493	522	11,980	277	2,715	35,987
Additions	6,109	656	10,675	4,366	34,740	56,546
Disposals	–	–	(1,596)	–	–	(1,596)
Transfers	16,647	6,821	–	–	(23,468)	–
Depreciation provided during the year	(15,171)	(289)	(5,479)	(489)	–	(21,428)
At 31 December 2022, net of accumulated depreciation and impairment	28,078	7,710	15,580	4,154	13,987	69,509
At 31 December 2022						
Cost	41,982	7,999	22,548	4,674	13,987	91,190
Accumulated depreciation and impairment	(13,904)	(289)	(6,968)	(520)	–	(21,681)
Net carrying amount	28,078	7,710	15,580	4,154	13,987	69,509

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 September 2023 (unaudited)						
At 1 January 2023:						
Cost	41,982	7,999	22,548	4,674	13,987	91,190
Accumulated depreciation and impairment	(13,904)	(289)	(6,968)	(520)	–	(21,681)
Net carrying amount	28,078	7,710	15,580	4,154	13,987	69,509
At 1 January 2023, net of accumulated depreciation and impairment	28,078	7,710	15,580	4,154	13,987	69,509
Additions	630	503	8,333	201	11,760	21,427
Disposals	–	(196)	(1,471)	–	–	(1,667)
Transfers	11,719	4,109	–	–	(15,828)	–
Depreciation provided during the period	(13,563)	(658)	(5,850)	(888)	–	(20,959)
At 30 September 2023, net of accumulated depreciation and impairment	26,864	11,468	16,592	3,467	9,919	68,310
At 30 September 2023						
Cost	48,315	12,396	27,877	4,875	9,919	103,382
Accumulated depreciation and impairment	(21,451)	(928)	(11,285)	(1,408)	–	(35,072)
Net carrying amount	26,864	11,468	16,592	3,467	9,919	68,310

Company

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2021						
At 1 January 2021:						
Cost	15	–	941	–	64	1,020
Accumulated depreciation and impairment	(6)	–	(105)	–	–	(111)
Net carrying amount	9	–	836	–	64	909
At 1 January 2021, net of accumulated depreciation and impairment	9	–	836	–	64	909
Additions	160	–	4,730	–	8,718	13,608
Disposals	–	–	–	–	–	–
Transfers	6,690	–	–	–	(6,690)	–
Depreciation provided during the year	(1,094)	–	(818)	–	–	(1,912)
At 31 December 2021, net of accumulated depreciation and impairment	5,765	–	4,748	–	2,092	12,605
At 31 December 2021						
Cost	6,865	–	5,671	–	2,092	14,628
Accumulated depreciation and impairment	(1,100)	–	(923)	–	–	(2,023)
Net carrying amount	5,765	–	4,748	–	2,092	12,605

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022						
At 1 January 2022:						
Cost	6,865	–	5,671	–	2,092	14,628
Accumulated depreciation and impairment	(1,100)	–	(923)	–	–	(2,023)
Net carrying amount	5,765	–	4,748	–	2,092	12,605
At 1 January 2022, net of accumulated depreciation and impairment	5,765	–	4,748	–	2,092	12,605
Additions	1,190	–	1,280	–	–	2,470
Disposals	–	–	(637)	–	–	(637)
Transfers	2,092	–	–	–	(2,092)	–
Depreciation provided during the year	(3,849)	–	(1,906)	–	–	(5,755)
At 31 December 2022, net of accumulated depreciation and impairment	5,198	–	3,485	–	–	8,683
At 31 December 2022						
Cost	8,925	–	5,982	–	–	14,907
Accumulated depreciation and impairment	(3,727)	–	(2,497)	–	–	(6,224)
Net carrying amount	5,198	–	3,485	–	–	8,683

	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
30 September 2023 (unaudited)						
At 1 January 2023:						
Cost	8,925	–	5,982	–	–	14,907
Accumulated depreciation and impairment	(3,727)	–	(2,497)	–	–	(6,224)
Net carrying amount	5,198	–	3,485	–	–	8,683
At 1 January 2023, net of accumulated depreciation and impairment	5,198	–	3,485	–	–	8,683
Additions	143	–	2,876	–	62	3,081
Disposals	(286)	–	(481)	–	–	(767)
Transfers	62	–	–	–	(62)	–
Depreciation provided during the period	(2,411)	–	(1,626)	–	–	(4,037)
At 30 September 2023, net of accumulated depreciation and impairment	2,706	–	4,254	–	–	6,960
At 30 September 2023						
Cost	8,844	–	7,703	–	–	16,547
Accumulated depreciation and impairment	(6,138)	–	(3,449)	–	–	(9,587)
Net carrying amount	2,706	–	4,254	–	–	6,960

16. LEASES

The Group's has lease contracts for offices, warehouses, self-operated stores and a factory with lease terms between 2 and 6 years. The movements in right-of-use assets during each of the Relevant Periods and the nine months ended 30 September 2023 are as follows:

Group

	Offices	Warehouses	Self-operated stores	Factory	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	5,510	4,475	21,856	–	31,841
Additions	16,655	11,816	59,040	7,080	94,591
Depreciation charge	(5,157)	(3,927)	(15,245)	(472)	(24,801)
Termination	(3,886)	(3,065)	(334)	–	(7,285)
At 31 December 2021 and 1 January 2022	13,122	9,299	65,317	6,608	94,346
Additions	29,506	57,233	15,023	4,935	106,697
Depreciation charge	(12,648)	(15,483)	(26,140)	(2,087)	(56,358)
Termination	(428)	(432)	(8,496)	–	(9,356)
At 31 December 2022 and 1 January 2023	29,552	50,617	45,704	9,456	135,329
Additions	7,890	31,121	3,019	–	42,030
Depreciation charge	(9,477)	(19,086)	(16,013)	(1,790)	(46,366)
Termination	(917)	(497)	(4,599)	–	(6,013)
At 30 September 2023 (unaudited)	27,048	62,155	28,111	7,666	124,980

Company

	Offices	Self-operated stores	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	3,481	3,231	6,712
Additions	15,204	126	15,330
Depreciation charge	(4,236)	(971)	(5,207)
Termination	(2,617)	–	(2,617)
At 31 December 2021 and 1 January 2022	11,832	2,386	14,218
Additions	2,790	38	2,828
Depreciation charge	(5,514)	(984)	(6,498)
Termination	(232)	(91)	(323)
At 31 December 2022 and 1 January 2023	8,876	1,349	10,225
Additions	2,324	218	2,542
Depreciation charge	(3,627)	(731)	(4,358)
Termination	(917)	–	(917)
At 30 September 2023 (unaudited)	6,656	836	7,492

The carrying amounts of lease liabilities and the movements during the Relevant Periods and the nine months ended 30 September 2023 are as follows:

Group

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Carrying amount at the beginning of the year/period	28,066	81,389	135,621
New leases	94,591	106,697	42,030
Accretion of interest recognised during the year/period	2,592	6,347	5,104
Covid-19-related rent concessions from lessors	(42)	(410)	–
Payments	(36,440)	(49,743)	(47,811)
Termination	(7,378)	(8,659)	(4,189)
Carrying amount at the end of the year/period	81,389	135,621	130,755
Analysed into:			
Current portion	31,889	52,943	57,355
Non-current portion	49,500	82,678	73,400
Maturity analysis:			
Within 1 year	31,889	52,943	57,355
1 to 2 years	24,749	39,396	46,879
2 to 5 years	24,475	43,282	25,600
More than 5 years	276	–	921
Total	**81,389**	**135,621**	**130,755**

Company

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Carrying amount at the beginning of the year/period	5,974	11,940	8,636
New leases	15,330	2,828	2,542
Accretion of interest recognised during the year/period	532	483	257
Payments	(7,189)	(6,293)	(4,103)
Termination	(2,707)	(322)	(7)
Carrying amount at the end of the year/period	11,940	8,636	7,325
Analysed into:			
Current portion	4,866	5,426	4,902
Non-current portion	7,074	3,210	2,423
Maturity analysis:			
Within 1 year	4,866	5,426	4,902
1 to 2 years	4,173	1,683	1,410
2 to 5 years	2,901	1,527	1,013
Total	**11,940**	**8,636**	**7,325**

The amounts recognised in profit or loss in relation to leases are as follows:

Group

	Year ended 31 December		Nine months ended 30 September	
	2021	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Interest on lease liabilities	2,592	6,347	4,871	5,104
Depreciation charge of right-of-use assets	24,801	56,358	42,285	46,366
Expense relating to short term and low value leases	2,058	636	497	1,246
Covid-19-related rent concessions from lessors	(42)	(410)	(410)	–
(Gain)/loss on termination of leases	(93)	697	394	1,824
Total amount recognised in profit or loss	**29,316**	**63,628**	**47,637**	**54,540**

17. INTANGIBLE ASSETS

Group

	Software
	RMB'000
31 December 2021	
At 1 January 2021:	
Cost	2,236
Accumulated amortisation	(71)
Net carrying amount	2,165
At 1 January 2021, net of accumulated amortisation	2,165
Additions	3,506
Amortisation provided during the year	(1,294)
At 31 December 2021, net of accumulated amortisation	4,377
At 31 December 2021:	
Cost	5,742
Accumulated amortisation	(1,365)
Net carrying amount	4,377
31 December 2022	
At 1 January 2022:	
Cost	5,742
Accumulated amortisation	(1,365)
Net carrying amount	4,377
At 1 January 2022, net of accumulated amortisation	4,377
Additions	3,517
Amortisation provided during the year	(2,931)
At 31 December 2022, net of accumulated amortisation	4,963
At 31 December 2022:	
Cost	9,259
Accumulated amortisation	(4,296)
Net carrying amount	4,963

	Software
	RMB'000
30 September 2023 (unaudited)	
At 1 January 2023:	
Cost	9,259
Accumulated amortisation	(4,296)
Net carrying amount	4,963
At 1 January 2023, net of accumulated amortisation	4,963
Additions	1,895
Amortisation provided during the period	(2,367)
At 30 September 2023, net of accumulated amortisation	4,491
At 30 September 2023:	
Cost	11,154
Accumulated amortisation	(6,663)
Net carrying amount	4,491

Company

	Software
	RMB'000
31 December 2021	
At 1 January 2021:	
Cost	2,062
Accumulated amortisation	(37)
Net carrying amount	2,025
At 1 January 2021, net of accumulated amortisation	2,025
Additions	3,000
Amortisation provided during the year	(1,019)
At 31 December 2021, net of accumulated amortisation	4,006
At 31 December 2021:	
Cost	5,062
Accumulated amortisation	(1,056)
Net carrying amount	4,006

	Software
	RMB'000
31 December 2022	
At 1 January 2022:	
Cost	5,062
Accumulated amortisation	(1,056)
Net carrying amount	4,006
At 1 January 2022, net of accumulated amortisation	4,006
Additions	3,005
Amortisation provided during the year	(2,701)
At 31 December 2022, net of accumulated amortisation	4,310
At 31 December 2022:	
Cost	8,067
Accumulated amortisation	(3,757)
Net carrying amount	4,310
30 September 2023 (unaudited)	
At 1 January 2023:	
Cost	8,067
Accumulated amortisation	(3,757)
Net carrying amount	4,310
At 1 January 2023, net of accumulated amortisation	4,310
Additions	1,176
Amortisation provided during the period	(1,375)
Disposals	(4,010)
At 30 September 2023, net of accumulated amortisation	101
At 30 September 2023:	
Cost	5,461
Accumulated amortisation	(5,360)
Net carrying amount	101

18. FINANCIAL INVESTMENTS 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)
At the beginning of the year/period	–	3,850	7,150
Additions	3,220	5,000	–
Disposal	–	–	(3,666)
Fair value changes through profit or loss	630	(1,700)	(284)
At the end of the year/period	3,850	7,150	3,200

Company

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
At the beginning of the year/period	–	3,850	3,750
Additions	3,220	–	–
Disposal	–	–	(3,666)
Fair value changes through profit or loss	630	(100)	(84)
At the end of the year/period	3,850	3,750	–

The Group's and the Company's financial investments at fair value through profit or loss represented equity investments in private investee companies.

19. OTHER NON-CURRENT ASSETS

Group

		As at 31 December		As at 30 September
		2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Prepayments for property and equipment		10,921	1,890	3,894
Deposits	*(a)*	9,157	9,729	9,938
Others		–	582	316
		20,078	12,201	14,148

Company

		As at 31 December		As at 30 September
		2021	**2022**	**2023**
	Note	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Prepayments for property and equipment		2,577	34	2,398
Deposits	*(a)*	5,378	593	281
Others		–	85	47
		7,955	712	2,726

(a) Deposits mainly represent rental deposits with remaining terms of over one year.

20. INVENTORIES

Group

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Raw materials	5,121	12,042	19,238
Finished goods	90,969	143,493	133,810
	96,090	155,535	153,048

Company

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Raw materials	116	138	110

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

		As at 31 December		As at 30 September
		2021	**2022**	**2023**
	Notes	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Value-added tax recoverable		8,052	32,197	25,905
Prepayments	*(a)*	32,819	13,023	21,272
Receivable from online platforms		5,578	8,043	6,901
Prepayments of income tax		6,397	2,107	–
Deposits	*(b)*	2,032	1,983	3,824
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other receivables		510	438	1,104
		55,388	**57,791**	**61,320**

(a) Prepayments represent advances to certain major suppliers for the purchase of goods or services.

(b) Deposits mainly represent rental deposits with remaining terms of within one year.

Company

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Due from subsidiaries	110,982	295,770	97,202
Prepayments	5,558	8,007	10,334
Prepayments of income tax	3,801	–	–
Deposits	799	298	1,375
Value-added tax recoverable	74	232	1,021
Other receivables	25	123	880
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Receivables from online platforms	654	1,127	896
	121,893	305,557	114,022

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2021, 2022 and 30 September 2023, the loss allowance was assessed to be minimal.

22. 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	226,230	130,454	251,556
Structured deposits	–	130,447	431,572
	226,230	260,901	683,128

Company

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Wealth management products	141,079	130,454	251,556
Structured deposits	–	130,447	241,572
	141,079	260,901	493,128

The wealth management products and structured deposits are purchased from creditworthy commercial banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS

Group

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Current			
Cash and bank balances	53,184	193,014	289,010
Denominated in:			
RMB	53,184	193,014	289,010

Company

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Current			
Cash and bank balances	19,824	102,873	67,087
Denominated in:			
RMB	19,824	102,873	67,087

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and bank balances approximate to their fair values.

24. TRADE PAYABLES

An aging analysis of the trade payables as at 31 December 2021, 2022 and 30 September 2023, based on the transaction 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	108,755	171,156	184,701
1 to 2 months	5,915	13,916	4,284
3 to 6 months	3,884	882	1,810
Over 6 months	512	554	958
	119,066	186,508	191,753

Company

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Within 1 month	5,945	8,691	12,661

The trade payables are non-interest-bearing and are normally settled on terms of typically 30 days.

25. 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 payable	33,776	52,260	54,819
Deposits	31,977	37,313	47,363
Accrued expenses and others	31,992	26,200	27,075
Other tax payables	4,813	10,297	12,144
	102,558	126,070	141,401

Company

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Due to subsidiaries	36,489	409,472	209,883
Payroll and welfare payable	27,953	38,615	39,559
Deposits	29,167	36,528	46,050
Accrued expenses and others	20,230	17,150	18,915
Other tax payables	818	880	2,062
	114,657	502,645	316,469

The amounts due to subsidiaries are non-interest-bearing and repayable on demand. Other payables and accruals were trade in nature, non-interest-bearing and repayable on demand.

26. CONTRACT LIABILITIES

Group

Details of contract liabilities are as follows:

	As at 1 January	As at 31 December		As at 30 September
	2021	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Current:				
Sales of goods	8,373	16,808	33,488	31,016
Franchising services	19,406	38,083	41,286	39,582
	27,779	54,891	74,774	70,598
Non-current:				
Franchising services	14,377	28,702	19,459	12,358

Contract liabilities of the Group mainly arise from the advance payments received from franchisees for the purchase of goods and services and deferred upfront franchise fees. The increase in contract liabilities in 2022 and 2021 was mainly due to the increase in the number of franchisees and short-term advances received from franchisees for the purchase of goods at the end of the year. The decrease in contract liabilities in the nine months ended 30 September 2023 was mainly due to the lower average upfront franchise fee received at 30 September 2023.

Company

Details of contract liabilities are as follows:

	As at 1 January	As at 31 December		As at 30 September
	2021	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Current:				
Franchising services	17,928	35,179	35,885	33,435
Non-current:				
Franchising services	14,377	28,702	19,459	12,358

The increase in contract liabilities in 2021 was mainly due to the increase in the number of franchisees. The decrease in contract liabilities in 2022 and the nine months ended 30 September 2023 was mainly due to lower average initial one-time franchise fee received at the end of the year/period.

27. INTEREST-BEARING BANK BORROWINGS

Group

	As at 31 December 2022		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — unsecured	2.05	2023	1,000

	As at 30 September 2023		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — unsecured (unaudited)	2.80	2024	8,500

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Analysed into:			
Bank borrowings repayable:			
Within one year	–	1,000	8,500

Company

	As at 30 September 2023		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank borrowings — unsecured (unaudited)	2.80	2024	8,500

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Analysed into:			
Bank borrowings repayable:			
Within one year	–	–	8,500

28. DEFERRED TAX

Group

The movements in deferred tax assets during the Relevant Periods and the nine months ended 30 September 2023 are as follows:

	Losses available for offsetting against future taxable profits	Deductible advertising expenses in the future	Lease liabilities	Unrealised gains from intercompany transaction	Unrealised loss from financial assets at fair value through profit or loss and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	6,494	–	7,017	–	–	13,511
Deferred tax credited to the consolidated statement of profit or loss during the year	6,205	3,114	13,330	223	49	22,921
Gross deferred tax assets at 31 December 2021	12,699	3,114	20,347	223	49	36,432
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the year	(589)	9,722	13,557	3,345	432	26,467
Gross deferred tax assets at 31 December 2022	12,110	12,836	33,904	3,568	481	62,899
Deferred tax (charged)/credited to the consolidated statement of profit or loss during the period	(6,135)	2,722	(1,215)	(247)	311	(4,564)
Gross deferred tax assets at 30 September 2023 (unaudited)	5,975	15,558	32,689	3,321	792	58,335

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	7,960	–	7,960
Deferred tax charged to the consolidated statement of profit or loss during the year	15,626	465	16,091
Gross deferred tax liabilities at 31 December 2021	23,586	465	24,051
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	10,246	(200)	10,046
Gross deferred tax liabilities at 31 December 2022	33,832	265	34,097
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the period	(2,587)	517	(2,070)
Gross deferred tax liabilities at 30 September 2023 (unaudited)	31,245	782	32,027

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	12,964	28,802	26,308
Net deferred tax liabilities recognised in the consolidated statement of financial position	583	–	–

Company

The movements in deferred tax assets during the Relevant Periods and the nine months ended 30 September 2023 are as follows:

	Losses available for offsetting against future taxable profits	Deductible advertising expenses in the future	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	6,095	–	1,523	7,618
Deferred tax (charged)/credited to the statement of profit or loss during the year	(6,095)	3,114	1,462	(1,519)
Gross deferred tax assets at 31 December 2021	–	3,114	2,985	6,099
Deferred tax credited/(charged) to the statement of profit or loss during the year	–	9,722	(827)	8,895
Gross deferred tax assets at 31 December 2022	–	12,836	2,158	14,994
Deferred tax credited/(charged) to the statement of profit or loss during the period	–	2,722	(326)	2,396
Gross deferred tax assets at 30 September 2023 (unaudited)	–	15,558	1,832	17,390

The movements in deferred tax liabilities during the Relevant Periods and the 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	1,754	–	1,754
Deferred tax charged to the statement of profit or loss during the year	1,800	427	2,227
Gross deferred tax liabilities at 31 December 2021	3,554	427	3,981
Deferred tax credited to the statement of profit or loss during the year	(998)	(162)	(1,160)
Gross deferred tax liabilities at 31 December 2022	2,556	265	2,821
Deferred tax (credited)/charged to the statement of profit or loss during the period	(683)	399	(284)
Gross deferred tax liabilities at 30 September 2023 (unaudited)	1,873	664	2,537

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Company 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 statement of financial position	2,118	12,173	14,853
Net deferred tax liabilities recognised in the statement of financial position	–	–	–

29. PAID-IN CAPITAL

A summary of movements in the Company's paid-in capital during the Relevant Periods and the nine months ended 30 September 2023 is as follows:

	Notes	Total RMB'000
At 1 January 2021		10,690
Capital injection	(a)	206
At 31 December 2021, 31 December 2022 and at 1 January 2023		10,896
Capital injection	(b)/(c)	725
At 30 September 2023 (unaudited)		11,621

Notes:

(a) In September 2021, the Company entered into a capital increase agreement with Suzhou Yizhong Venture Investment Partnership (Limited Partnership). According to the agreement, capital totaling RMB53,000,000 was injected into the Company by the above investor with approximately RMB206,000 and RMB52,794,000 credited to the Company's paid-in capital and capital reserve, respectively. During the year ended 31 December 2021, 100% of the total capital was contributed by this investor.

(b) In July 2023, the Company entered into a capital increase agreement with Shanghai Yuhong Enterprise Management Partnership (Limited partnership) ("**Shanghai Yuhong**") and Shanghai Yuyun Enterprise Management Partnership (Limited partnership) ("**Shanghai Yuyun**") for the injection of capital totaling RMB336,000 into the Company by the above investors with approximately RMB336,000 credited to the Company's paid-in capital. Shanghai Yuhong and Shanghai Yuyun are employee incentive platforms owned by employees of the Group (note 31).

(c) In July 2023, the Company entered into a capital increase agreement with Zhuhai Jin Yi Ming Equity Investment Fund Partnership (Limited partnership), Suzhou Xiangzhong Venture Capital Partnership (Limited partnership), Nanjing Xiangzhong Venture Capital Partnership (Limited partnership), Shanghai Shibei High-tech Venture Capital Partnership (Limited partnership), Shanghai Yiyu Investment Consulting Co., LTD., Beijing Desai Innovation Equity Investment Center (Limited Partnership) and Zhuhai Hengqin Zhiyiganrui Investment Partnership (Limited partnership). According to the agreement, capital totaling RMB133,400,000 was injected into the Company by the above investors with approximately RMB388,000 and RMB133,012,000 (before expenses) credited to the Company's paid-in capital and capital reserve, respectively. During the nine months ended 30 September 2023, 100% of the total capital was contributed by these investors.

(d) In November 2023, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. As of the conversion base date the net assets of the Company, including paid-in capital, capital reserve and retained profits, amounting to approximately RMB382,555,539 were converted into 100,000,000 ordinary shares of RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's capital reserve.

30. RESERVES

The amounts of the Group's retained profits and the movements therein for the Relevant Periods and the nine months ended 30 September 2022 and 2023 are presented in the consolidated statements of changes in equity of the Group.

(a) Capital reserve

The capital reserve represents capital contribution of the Group and share-based payment reserves. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

(b) Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserves may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(c) Reserve movement of the Company

Year ended 31 December 2021

	Capital reserve	Statutory reserve	(Accumulated losses)/ Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	87,060	–	(31,403)	55,657
Capital injection	52,794	–	–	52,794
Profit for the year	–	–	48,766	48,766
Share-based payments	1,344	–	–	1,344
Transfer from retained profits	–	1,736	(1,736)	–
At 31 December 2021	141,198	1,736	15,627	158,561

Year ended 31 December 2022

	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	141,198	1,736	15,627	158,561
Profit for the year	–	–	10,416	10,416
Share-based payments	4,843	–	–	4,843
Transfer from retained profits	–	1,042	(1,042)	–
At 31 December 2022	146,041	2,778	25,001	173,820

Nine months ended 30 September 2022

	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	141,198	1,736	15,627	158,561
Profit for the period	–	–	9,458	9,458
Share-based payments	3,397	–	–	3,397
At 30 September 2022 (unaudited)	144,595	1,736	25,085	171,416

Nine months ended 30 September 2023

	Capital reserve	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	146,041	2,778	25,001	173,820
Capital injection	131,285	–	–	131,285
Profit for the period	–	–	70,604	70,604
Share-based payments	4,340	–	–	4,340
At 30 September 2023 (unaudited)	281,666	2,778	95,605	380,049

31. SHARE-BASED PAYMENTS

2020 Employee Incentive Scheme

On 30 September 2020, pursuant to the shareholders' resolution, the Company adopted the 2020 Employee Incentive Scheme to provide incentives and rewards to employees who contributed to the success of the Group's operations. The maximum equity-settled share awards that may be granted under the 2020 Employee Incentive Scheme shall not exceed 15.52% of the Company's paid-in capital, which was originally paid and own by the founder. The minimum price for eligible participants to subscribe for the restricted share units ("**RSUs**") under the 2020 Employee Incentive Scheme is RMB32.61 per RSU. The RSUs granted would vest subject to specific service condition that the employees remain in service and vest from the grant date over a vesting period of four years at minimum without any performance condition requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder.

On 30 April 2021, the Company and the founder of the Company signed restricted share unit agreements (the "**2021 RSU agreements**") with certain employees to grant a total of 73,902 RSUs under the 2020 Employee Incentive Scheme to these employees, which represented 0.69% of the Company's paid-in capital. The grantees of the RSUs paid a consideration of RMB32.61 per RSU. Such RSUs shall be fully vested upon the fifth anniversary dates of the grants.

On 31 March 2022, the Company and the founder of the Company signed another restricted share unit agreements (the "**2022 RSU agreements**") with certain employees to grant a total of 96,292 RSUs under the 2020 Employee Incentive Scheme to these employees, which represented 0.88% of the Company's paid-in capital. The grantees of the RSUs paid a consideration of RMB32.61 per RSU. Such RSUs shall be fully vested upon the fifth anniversary dates of the grants.

The fair value of equity-settled share awards granted was estimated at the date of grant according to the fair value of ordinary shares through the application of the DCF Model. Movements in the number of RSUs granted and the respective weighted average grant date fair values are as follows:

	Number of RSUs	Weighted average grant date fair value per RSU
		(RMB)
Outstanding as at 1 January 2021	–	–
Granted	73,902	197.57
Forfeited	(2,760)	197.57
Outstanding as at 31 December 2021	71,142	197.57
Outstanding as at 1 January 2022	71,142	197.57
Granted	96,292	286.34
Forfeited	(7,973)	235.12
Outstanding as at 31 December 2022	159,461	249.30
Outstanding as at 1 January 2023	159,461	249.30
Forfeited	(16,865)	247.61
Outstanding as at 30 September 2023 (unaudited)	142,596	249.50

2023 Employee Incentive Scheme

On 20 July 2023, pursuant to the shareholders' resolution, the Company adopted the 2023 Employee Incentive Scheme to provide incentives and rewards to employees who contributed to the success of the Group's operations. The aggregate equity-settled share awards to be granted under the 2023 Employee Incentive Scheme represents 2.90% of the Company's paid-in capital, which are subscribed and held by Shanghai Yuhong and Shanghai Yuyun, the employee incentive platforms (note 29). The RSUs granted under the 2023 Employee Incentive Scheme would vest subject to specific service condition that the employees remain in service and vest from the grant date over a vesting period of four years at minimum without any performance condition requirements. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder. Meanwhile, pursuant to the same shareholders' resolution, the Company adopted an amendment to the 2020 Employee Incentive Scheme (the "**Amended 2020 Employee Incentive Scheme**"). Under the Amended 2020 Employee Incentive Scheme, the minimum price for eligible participants to subscribe for the RSUs is changed to RMB1.00 per RSU. There were no RSUs granted under the 2023 Employee Incentive Scheme or the Amended 2020 Employee Incentive Scheme as of 30 September 2023.

Share-based payment expense relating to awards granted to employees which is based on the grant date fair values of the RSUs is recognised on a straight-line basis over the entire vesting period. The fair value of each RSU at the grant date is determined using a DCF model, with the assistance of an independent third-party valuation firm.

Key assumptions are set out below:

	31 December		30 September
	2021	**2022**	**2023**
Discount rate *(%)*	18.0	17.0	N/A
Discount for lack of marketability ("**DLOM**") *(%)*	20.0	20.0	N/A
Annual revenue growth rate for the 5-year period *(%)*	10.0-51.5	7.5-55.6	N/A
Gross profit rate *(%)*	26.7-30.8	30.7-31.2	N/A
Terminal growth rate *(%)*	3.0	3.0	N/A

The expected revenue growth rate, gross profit rate and terminal growth rate are determined by the management based on past performance and its expectation for market development. The discount rate was estimated by the weighted average cost of capital as of the valuation date. The DLOM was estimated based on the Black-Scholes method.

The Group recognised share-based payment expenses of RMB1,344,000, RMB4,843,000, RMB3,397,000 (unaudited) and RMB4,340,000 (unaudited) in relation to the above-mentioned RSUs for the years ended 31 December 2021 and 2022 and the nine months ended 30 September 2022 and 2023, respectively.

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the nine months ended 30 September 2022 and 2023, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB94,591,000, RMB106,697,000, RMB97,857,000 (unaudited) and RMB42,030,000 (unaudited), respectively.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2021

	Lease liabilities
	RMB'000
At 1 January 2021	28,066
Changes from financing cash flows	(36,440)
New leases	94,591
Interest expense *(note 8)*	2,592
Termination of lease contracts	(7,378)
Covid-19-related rent concessions from lessors	(42)
At 31 December 2021	81,389

Year ended 31 December 2022

	Lease liabilities	Interest-bearing bank borrowings
	RMB'000	*RMB'000*
At 1 January 2022	81,389	–
Changes from financing cash flows	(49,743)	991
New leases	106,697	–
Interest expense *(note 8)*	6,347	9
Covid-19-related rent concessions from lessors	(410)	–
Termination of lease contracts	(8,659)	–
At 31 December 2022	135,621	1,000

Nine months ended 30 September 2022 (unaudited)

	Lease liabilities	Interest-bearing bank borrowings
	RMB'000	*RMB'000*
At 1 January 2022	81,389	–
Changes from financing cash flows	(34,873)	–
New leases	97,857	–
Interest expense *(note 8)*	4,871	–
Covid-19-related rent concessions from lessors	(410)	–
Termination of lease contracts	(7,490)	–
At 30 September 2022	141,344	–

Nine months ended 30 September 2023 (unaudited)

	Lease liabilities	Interest-bearing bank borrowings
	RMB'000	*RMB'000*
At 1 January 2023	135,621	1,000
Changes from financing cash flows	(47,811)	7,399
New leases	42,030	–
Interest expense *(note 8)*	5,104	101
Termination of lease contracts	(4,189)	–
At 30 September 2023	130,755	8,500

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Within operating activities	2,058	636	497	1,246
Within financing activities	36,440	49,743	34,873	47,811
	38,498	50,379	35,370	49,057

33. COMMITMENTS

The Group had the following capital commitments at 31 December 2021, 2022 and 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 and other intangible assets	6,206	10,404	5,779

34. RELATED PARTY TRANSACTIONS

(1) The Group had the following transactions with related parties during the Relevant Periods and the 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)
Transactions with close family members of controlling shareholders				
Sales of goods to franchisees	4,935	5,784	4,424	6,271
Franchising services	1,141	1,126	860	1,205
	6,076	6,910	5,284	7,476

(2) Outstanding balances with related parties:

	As at 31 December		As at 30 September
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Trade in nature			
Close family members of controlling shareholders			
Contract liabilities:			
Current	47	166	161
Non-current	48	12	8
	95	178	169

(3) Compensation of key management personnel of the Group

Compensation of key management personnel of the Group, which comprises the directors' and chief executive's remuneration, is disclosed in note 10 to the Historical Financial Information.

35. FINANCIAL INSTRUMENTS BY CATEGORY

Group

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods and the nine months ended 30 September 2023 are as follows:

As at 31 December 2021

Financial assets

	Financial assets at fair value through profit or loss mandatorily designated as such	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial investments at fair value through profit or loss	3,850	–	3,850
Financial assets included in other non-current assets	–	9,157	9,157
Financial assets included in prepayments, other receivables and other assets	–	8,120	8,120
Financial assets at fair value through profit or loss	226,230	–	226,230
Cash and cash equivalents	–	53,184	53,184
	230,080	70,461	300,541

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	119,066
Financial liabilities included in other payables and accruals	63,969
	183,035

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss mandatorily designated as such	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial investments at fair value through profit or loss	7,150	–	7,150
Financial assets included in other non-current assets	–	10,311	10,311
Financial assets included in prepayments, other receivables and other assets	–	10,464	10,464
Financial assets at fair value through profit or loss	260,901	–	260,901
Cash and cash equivalents	–	193,014	193,014
	268,051	213,789	481,840

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	186,508
Financial liabilities included in other payables and accruals	63,513
Interest-bearing bank borrowings	1,000
	251,021

As at 30 September 2023 (unaudited)

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial investments at fair value through profit or loss	3,200	–	3,200
Financial assets included in other non-current assets	–	10,254	10,254
Financial assets included in prepayments, other receivables and other assets	–	11,829	11,829
Financial assets at fair value through profit or loss	683,128	–	683,128
Cash and cash equivalents	–	289,010	289,010
	686,328	311,093	997,421

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	191,753
Financial liabilities included in other payables and accruals	74,438
Interest-bearing bank borrowings	8,500
	274,691

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	Carrying amounts			Fair values		
	31 December 2021	31 December 2022	30 September 2023	31 December 2021	31 December 2022	30 September 2023
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Financial assets						
Financial investments at fair value through profit or loss	3,850	7,150	3,200	3,850	7,150	3,200
Financial assets at fair value through profit or loss	226,230	260,901	683,128	226,230	260,901	683,128
	230,080	268,051	686,328	230,080	268,051	686,328

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, financial assets included in other non-current assets, trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2021:

	Fair value measurement categorised into			
	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*
Financial investments at fair value through profit or loss	3,850	–	–	3,850
Financial assets at fair value through profit or loss	–	226,230	–	226,230
	3,850	226,230	–	230,080

As at 31 December 2022:

	Fair value measurement categorised into			
	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*
Financial investments at fair value through profit or loss	3,750	–	3,400	7,150
Financial assets at fair value through profit or loss	–	260,901	–	260,901
	3,750	260,901	3,400	268,051

As at 30 September 2023: (unaudited)

	Fair value measurement categorised into			
	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*
Financial investments at fair value through profit or loss	–	–	3,200	3,200
Financial assets at fair value through profit or loss	–	683,128	–	683,128
	–	683,128	3,200	686,328

(1) Financial instruments in level 1

The fair values of financial instruments traded in active markets are based on quoted market prices at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(2) Financial instruments in level 2

Level 2 applies to assets for which there are inputs other than quoted market prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices). The financial assets classified as level 2 are wealth management products and structured deposits. The fair value of wealth management products is determined based on the valuation results provided by the issuing bank. The issuing bank determined the value of the wealth management products based on market interest rates and maturity terms of the relevant underlying assets. The fair value of structured deposits is determined based on the income approach.

(3) Financial instruments in level 3

Level 3 instruments of the Group's assets represent equity investments in two private investee companies. The fair values of these investments are determined with reference to the recent transactions of the investees, the reported net asset values of the investees and the share prices for comparable listed companies.

The movements in fair value measurements within Level 3 during the Relevant Periods and the nine months ended 30 September 2023 are as follows:

	As at 31 December 2022	As at 30 September 2023
	RMB'000	*RMB'000* (Unaudited)
Financial assets at fair value through profit or loss		
At beginning of year/period	–	3,400
Purchases	5,000	–
Total gains recognised in profit or loss included in other income	(1,600)	(200)
At end of year/period	3,400	3,200

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash bank balances and wealth management products and structured deposits purchased from reputable commercial banks. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure year-end/period-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end/period-end staging classification as at 31 December 2021, 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*
Financial assets included in other receivables and other assets — normal*	17,277	–	–	–	17,277
Cash and bank balances — not yet past due	53,184	–	–	–	53,184
Total	**70,461**	**–**	**–**	**–**	**70,461**

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*
Financial assets included in other receivables and other assets — normal*	20,775	–	–	–	20,775
Cash and bank balances — not yet past due	193,014	–	–	–	193,014
Total	**213,789**	**–**	**–**	**–**	**213,789**

30 September 2023 (unaudited)

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in other receivables and other assets — normal*	22,083	–	–	–	22,083
Cash and bank balances — not yet past due	289,010	–	–	–	289,010
Total	**311,093**	**–**	**–**	**–**	**311,093**

* The credit quality of the financial assets included in 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 its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods and as at 30 September 2023, based on the contractual undiscounted payments, is as follows:

31 December 2021

	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	4,396	114,670	–	–	–	119,066
Financial liabilities included in other payables and accruals	–	63,969	–	–	–	63,969
Lease liabilities	–	36,282	26,301	26,117	281	88,981
Total	**4,396**	**214,921**	**26,301**	**26,117**	**281**	**272,016**

31 December 2022

	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	1,436	185,072	–	–	–	186,508
Financial liabilities included in other payables and accruals	–	63,513	–	–	–	63,513
Interest-bearing bank borrowings	–	1,000	–	–	–	1,000
Lease liabilities	–	60,810	46,800	48,944	–	156,554
Total	**1,436**	**310,395**	**46,800**	**48,944**	**–**	**407,575**

30 September 2023 (unaudited)

	On demand	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	6,768	184,985	–	–	–	191,753
Financial liabilities included in other payables and accruals	–	74,438	–	–	–	74,438
Interest-bearing bank borrowings	–	8,616	–	–	–	8,616
Lease liabilities	–	59,974	51,251	30,564	–	141,789
Total	**6,768**	**328,013**	**51,251**	**30,564**	**–**	**416,596**

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods and the nine months ended 30 September 2023.

The debt to asset ratios as at 31 December 2021, 2022 and 30 September 2023 are as follows:

	As at 31 December		As at 30 September
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000* (Unaudited)
Total assets	602,494	925,195	1,427,943
Total liabilities	392,232	560,620	603,291
Debt to asset ratio	65.10%	60.59%	42.25%

38. EVENTS AFTER THE REPORTING PERIOD

On 3 November 2023, the board of directors of the Company resolved to convert the Company from a limited liability company into a joint stock limited liability company. On 24 November 2023, the conversion was completed and the Company changed its registered name to Auntea Jenny (Shanghai) Industrial Co., Ltd..

On 8 November 2023, the Company and the founder of the Company signed RSU agreements with certain employees to grant a total of 281,398 RSUs under the Amended 2020 Employee Incentive Scheme, which represents 2.42% of the Company's paid-in capital, to these employees with a consideration of RMB1.18 per RSU.

On 8 November 2023, the Company and the founder of the Company signed another RSU agreements with certain employees to grant a total of 336,994 RSUs under the 2023 Employee Incentive Scheme, which represents 2.90% of the Company's paid-in capital, to these employees with a consideration of RMB1.00 per RSU.

On 14 December 2023, pursuant to the shareholders' resolution, the Company declared a dividend of RMB60,000,000 to its shareholders. Such dividend has been fully paid on 25 January 2024.

In February 2024, the Company entered into a capital increase agreement with certain new investors and issued 2,430,000 ordinary shares to these new investors for a total consideration of RMB121.5 million. As a result, the registered share capital of the Company was increased to RMB102,430,000.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 30 September 2023.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this document, and is included for information purposes only. The unaudited **[REDACTED]** *information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set out in Appendix I to this document.*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 *Preparation of* **[REDACTED]** *Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the **[REDACTED]** on the consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2023 as if the **[REDACTED]** had taken place on 30 September 2023.

The unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group to owners of the Company had the **[REDACTED]** been completed as at 30 September 2023 or at any future date.

	Consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2023	Estimated net [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets as at 30 September 2023	Unaudited [REDACTED] adjusted consolidated net tangible assets per Share as at 30 September 2023	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	820,161	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	820,161	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	820,161	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as at 30 September 2023 was equal to the consolidated net assets attributable to owners of the Company as at 30 September 2023 of RMB824,652,000 after deducting of intangible assets of the Group as at 30 September 2023 of RMB4,491,000 set out in the Accountants' Report in Appendix I to this document.

2. The estimated net [**REDACTED**] from the [**REDACTED**] are based on the [**REDACTED**] of HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**] per share, respectively, after deduction of the [**REDACTED**] fees and other related expenses payable by the Company (excluding [**REDACTED**] of RMB[**REDACTED**] which have been charged to profit or loss during the Track Record Period) and do not take into account any share which may be sold and offered upon exercise of the [**REDACTED**].

3. The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that [**REDACTED**] Shares are in issue assuming the conversion into a joint stock limited company in November 2023 and the [**REDACTED**] had been completed on 30 September 2023, without taking into account of the 2,430,000 shares issued upon the Series C Financing in February 2024, and any shares which may be allotted and issued upon the exercise of the [**REDACTED**].

4. For the purpose of this unaudited [**REDACTED**] adjusted consolidated net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at a rate of HK$1.00 to RMB[0.90878]. No representation is made that the Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.

5. No other adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 30 September 2023 except for the adjustments referred to in the preceding paragraphs. In particular, no adjustments were made to reflect i) the Series C Financing with 2,430,000 shares issued at a net consideration of RMB117,140,000 (the gross consideration of RMB121,500,000 minus the related expenses of RMB4,360,000) in February 2024 and ii) the dividend of RMB60,000,000 declared by the Company to its shareholders on 14 December 2023. Had such transactions been taken into account, the unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share would be approximately RMB[**REDACTED**], RMB[**REDACTED**] and RMB[**REDACTED**] (equivalent to HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**]), assuming an [**REDACTED**] of HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**] per Share, respectively.

[REDACTED]

[REDACTED]

[REDACTED]

The primary aim of this Appendix is to offer potential investors a summary of the Articles of Association, and as such, it might not contain all the information pertinent to potential investors.

SHARES AND REGISTERED CAPITAL

Variation of Rights of Existing Shares or Classes of Shares

The Articles of Association do not contain provisions related to the variation of rights of existing shares or classes of shares.

Calls on Shares and Forfeiture of Shares

The Articles of Association do not include any provisions concerning calls on shares or the forfeiture of shares.

Power of the Company to Purchase Its Own Shares

The Company shall not repurchase its own shares except in specific situations which includes:

(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 centralized 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 centralized 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. Share repurchases under circumstances mentioned in items (3), (5) and (6) must be conducted through public centralized trading.

In instances where the Company engages in the domestic unlisted share repurchases following the conditions specified in item (1), the repurchased shares must be eliminated within 10 days of the repurchase. For the domestic unlisted share repurchases conducted under the conditions outlined in items (2) and (4), such shares are required to be either transferred or canceled within a span of 6 months. In cases where the Company repurchases the domestic unlisted share based on the circumstances detailed in items (3), (5) and (6), the aggregate number of shares in the Company's possession should not surpass 10% of the total issued shares, and these shares must be either transferred or canceled within a period of 3 years.

Power of Any Subsidiary of Our Company to Own Shares in Its Parent

The Articles of Association do not include provisions regarding the ability of a subsidiary of our Company to hold shares in its parent company.

Capital Increase and Capital Reduction

The Company may, in line with its business and development requirements and compliance with the laws, regulations and securities regulatory rules of the stock exchange where its shares are listed, may increase its capital through the following methods, contingent upon separate resolutions from the shareholders' general meeting:

(1) public offering of shares;

(2) non-public issuance of shares;

(3) distribution of bonus shares to existing shareholders;

(4) conversion of capital reserve into share capital;

(5) 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. In the event of a registered capital reduction, the Company is required to compile a balance sheet and an inventory of assets.

The Company shall reduce its registered capital under the prescribed procedures outlined in the PRC Company Law and other relevant regulations as well as the Articles of Association.

Transfer of Shares

Shares held by the promoters of the Company are prohibited from being transferred within the first year following the establishment of the Company. Shares issued by the Company before the public offering of shares are subject to a restriction on transfer for one year from the date the Company's shares are listed and traded on the stock exchange.

Directors, supervisors and senior management of the Company are required to disclose their shareholdings and any changes to the Company. They are restricted from transferring more than 25% of their total shares in the Company each year during their terms of office. Additionally, they are not allowed to transfer their Company shares within one year from the date of the Company's shares being listed and traded. Following their departure from the Company, these individuals are further restricted from transferring their Company shares for a period of six months.

If there are additional restrictions on transfer of overseas listed shares imposed by the relevant regulations of the securities regulatory authority of the place where the Company's shares are listed, such regulations shall prevail.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

Shareholders

Shareholders of the Company shall enjoy the following rights:

(1) to receive dividends and other distributions in proportion to the number of shares held;

(2) 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 speak and vote;

(3) to supervise Company's operations, provide suggestions and make inquiries;

(4) to transfer, give or pledge their shares in compliance with laws, administrative regulations and the Articles of Association;

(5) 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;

(6) in case of the termination or liquidation of the Company, to participate in the distribution of remaining assets of the Company proportionate to the number of shares held;

(7) 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;

(8) 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:

(1) to abide by laws, administrative regulations, and the Articles of Association;

(2) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(3) refrain from divestment except under the circumstances stipulated by laws and regulations;

(4) not to abuse shareholders' rights to harm the interests of the Company or other shareholders; not to abuse the independent legal person status of the Company and the limited liability of shareholders to the detriment of the Company's creditors;

(5) other obligations as mandated 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 who abuse their shareholders' rights and cause losses to the Company or other shareholders shall be held accountable for compensation in accordance with the law. Furthermore, shareholders who abuse the independent legal person status of the Company and the limited liability of shareholders to evade debts, thereby seriously harming the interests of the Company's creditors, shall bear joint and several liabilities for the debts of the Company.

Inspection of register of members

The Company will establish a register of shareholders based on certificates provided by the securities registration institution. This register serves as conclusive evidence of shareholders' ownership in the Company. Shareholders have rights and obligations corresponding to the types of shares they hold, and those with the same type of shares enjoy identical rights and assume similar obligations.

The Company may be allowed to suspend the registration of shareholders, subject to conditions equivalent to those outlined in section 632 of the Companies Ordinance.

When the Company calls a general meeting, distributes dividends, undergoes liquidation or engages in other activities requiring confirmation of shareholder identity, the Board or the convener of the general meeting will determine the record date. Shareholders appearing on the register of shareholders after the close of trading on the record date are considered entitled to relevant interests.

Proxies

All shareholders listed on the record date, or their designated proxies, have the right to attend the general meeting. They are entitled to speak and exercise voting rights in adherence to relevant laws, regulations, stock exchange listing rules of the Company's listing location, and the Articles of Association. However, a shareholder may choose to waive their voting right on specific matters, such as when holding a significant interest in a particular transaction or arrangement under consideration.

Individual shareholders attending the meeting in person must present their identity cards or other valid proof of identity and their stock account card. Proxies for individual shareholders should provide their valid identity cards along with the shareholder's power of attorney.

In the case of a legal person shareholder, representation at the meeting is through its legal representative or a proxy appointed by the legal representative. If the legal representative attends, they should present their identity card and valid proof of their status (save for a Recognized Clearing House or its nominee). If a proxy attends, they must provide their identity card, and a written power of attorney or an authorization form issued by the legal representative of the legal person shareholder.

Proxy forms should include a statement indicating that, in the absence of instructions from the shareholder, the proxy may vote as deemed appropriate.

If the voting proxy is signed by an authorized person, the power of attorney or other authorization documents must be notarized (save for a Recognized Clearing House or its nominee). These notarized documents, along with the voting proxy form, shall be kept at the Company's domicile or another specified location mentioned in the meeting notice.

Shareholder's Meeting

Quorum for meetings and separate class meetings

The Articles of Association do not contain any provisions regarding the quorum for general meetings or separate class meetings.

Notice of meetings and business to be conducted thereat

The Company shall convene an extraordinary general meeting within 2 months if any of the following situations arise:

(1) the number of directors is below the quorum specified in the PRC Company Law or less than two-thirds of the number stated in the Articles of Association;

(2) unrecovered losses of the Company reach one-third of the total paid-up share capital;

(3) shareholders, individually or jointly holding 10% or more of the Company's voting shares, formally request it in writing;

(4) the Board deems it necessary;

(5) suggested by the Supervisory Committee;

(6) other circumstances o 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 the convening of an extraordinary general meeting to the Board. The Board shall 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, as 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. If the Board approves, a notice is issued within 5 days after passing the resolution. In case of disagreement, the Board shall provide reasons and makes an announcement.

The Supervisory Committee is entitled to propose in writing to the Board for 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 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. In instances where the Board rejects the proposal or fails to respond within the specified 10-day timeframe, such inaction is construed as a failure to fulfill its duty. Consequently, the Supervisory Committee is empowered to autonomously convene and preside over the meeting.

Shareholders individually or jointly holding 10% or more of the Company's voting shares are entitled to request in writing to the Board of Directors for 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. Should the Board approve the meeting, a notice is to be issued within 5 days after the Board's resolution. Any change to the original proposal made in the notice shall be subject to the consent of the relevant shareholders. In case the Board declines to convene the meeting or fails to respond within the stipulated 10-day period, the shareholders individually or jointly holding 10% or more of the Company's shares are entitled to submit a written proposal to the Supervisory Committee, urging the convening of an extraordinary general meeting with additional proposals for the meeting agenda. If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of general meeting within 5 days of receiving the request. Any alternation to the original proposal in the notice shall be approved by the relevant shareholders.

If the Supervisory Committee neglects to issue the notice within the prescribed 90-day period, it is deemed an indication of its unwillingness to convene and preside over the general meeting. Consequently, shareholders holding 10% or more of the Company's shares for a consecutive period exceeding 90 days are entitled to independently summon and preside over the meeting.

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 are entitled 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 must issue a supplementary notice for the general meeting within 2 days of receiving the proposal, incorporating the contents of the special proposal.

Apart from the above situation, the convener is prohibited from modifying the proposals outlined in the general meeting notice or introducing any new proposals after the notice has been issued.

The convener is required to inform shareholders through an announcement at least 21 days before the annual general meeting (excluding the day of the meeting) and at least 15 days before an extraordinary general meeting (excluding the day of the meeting). If laws, regulations and securities regulatory authority of the place where the Company's shares are listed stipulate otherwise, such provisions shall prevail.

Requirements for annual general meetings

General meetings are divided into annual general meetings and extraordinary general meetings. An annual general meeting must be organized once in each fiscal year within six months following the conclusion of the preceding fiscal year.

Special resolutions — majorities required

Resolutions of the general meeting are divided into ordinary resolutions and special resolutions.

An ordinary resolution requires approval by votes representing more than half of the voting rights held by the shareholders (including proxies) present at the meeting.

A special resolution requires approval by votes representing at least two-thirds of the voting rights held by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by ordinary resolutions at a general meeting:

(1) approval of work reports of the Board and the Supervisory Committee;

(2) endorsement of 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. This includes the removal of any directors before the expiry of their term, with the provision that such removal shall not prejudice the claim of such director for damages under any contract. Additionally, decisions on their remuneration and method of payment;

(4) approval of annual budget and final accounts, balance sheet, income statement and other financial statements of the Company;

(5) ratification of the annual reports of the Company;

(6) decision on the engagement and dismissal of an accounting firm providing regular audit services to the Company, including the determination of its remuneration;

(7) consideration and approval of matters other than those explicitly required by laws, administrative regulations, the listing rules of the stock exchange where the Company's shares 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) approval for increase or reduction of the registered capital of the Company;

(2) decisions related to the division, split, merger, dissolution and liquidation of the Company;

(3) approval for any amendments or modification 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) a 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. Additionally, any matters

perceived by the general meeting, through an ordinary resolution, to have a material impact on the Company and requiring approval by a special resolution.

Voting rights (generally and on a poll)

Shareholders, including proxies, shall exercise their voting rights based on the number of voting shares they represent, with each share entitling the holder to one vote.

Shareholders attending the general meeting shall express one of the following opinions on the proposal being voted on: affirmative, negative or abstention. Incomplete, incorrect or unintelligible ballots, or those with no vote recorded, will be considered a waiver of voting rights, and the voting result for such shares will be categorized as "abstention."

If the regulatory rules of the stock exchange where the Company's shares are listed mandate a shareholder to waive their voting right on a specific matter or restrict a shareholder from voting for or against any matter, votes cast by such shareholders or their proxies will not be counted if such regulations or restrictions are violated.

DIRECTORS AND BOARD OF DIRECTORS

Directors

Independent non-executive director

The Board of Directors is required to comprise more than 1/3 of independent Directors, and the total number of independent Directors should not be less than three.

Compensation or payments for loss of office

A Director may be removed by the general meeting before completing his/her term of office, but such removal shall not prejudice his/her claim for damages under any contract.

Loans to directors

There are no provisions in the Articles of Association relating to loans to directors.

Giving of financial assistance to purchase the shares of the company or shares of any subsidiary

The Company or its subsidiaries (including its subsidiaries) shall not provide any financial assistance, in the form of gifts, advances, guarantees, compensation, loans, or otherwise, to individuals purchasing or intending to purchase the Company's shares.

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 that violate the Articles of Association or lack approval from the general meeting.

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.

Retirement, appointment, removal

The Company shall have a board of directors which shall be accountable to the general meeting. The Board shall consist of 7 directors and shall have one chairman, including three independent non-executive directors being no less than one-third of the directors of the Company. At least one of the independent non-executive directors must have appropriate professional qualifications or possess appropriate accounting or related financial management expertise.

Directors are required to be elected or replaced through the shareholders' general meeting, and they may be removed by the shareholders' general meeting before the completion of their terms of office. The term of office of the directors shall be 3 years, and the directors are eligible for re-election and reappointment.

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 a director's term expires without a responsive re-election, the said director shall continue fulfilling the duties as director according 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:

(1) a person lacking civil capacity or with limited civil capacity;

(2) 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;

(3) a person who has served as a director, the factory manager or the general manager of an insolvent and liquidated company, being personally liable for

the bankruptcy, within the past three years since the date when the bankruptcy and liquidation of the company or enterprise are completed;

(4) a person who has served as the legal representative of a company or enterprise whose business license was revoked or ordered to close down due to any violation of law, being personally liable for the revocation, within the past three years since the date when the revocation occurs;

(5) a person with a significant amount of unpaid debt;

(6) a person banned from entering the securities market by the China Securities Regulatory Commission, with the ban still in effect;

(7) individuals disqualified based on other criteria specified by laws, administrative regulations, departmental rules, regulatory documents, supervisory rules of the stock exchange where the shares are listed, or relevant supervisory authorities.

The election or appointment of a director violating these provisions shall be void. If a director encounters any of the above circumstances during his/her term of office, he/she shall be dismissed by the Company.

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:

(1) Directors must refrain from abusing their authority by accepting bribes or other illegal income, or to misappropriate the company's property;

(2) Directors are prohibited from misappropriating the Company's funds;

(3) Directors shall not deposit Company's assets into accounts held in their own names or in the name of any other individual;

(4) Directors are not allowed, in violation of the Articles of Association, to loan Company funds to external parties or pledge Company assets as security without the approval of the general meeting or the Board of Directors;

(5) Directors must not enter into any contract or transaction with the Company that violates the Articles of Association or lacks approval from the general meeting;

(6) Directors should not exploit their positions to pursue business opportunities belonging to the Company for personal gain or on behalf of others without the approval of the general meeting;

(7) Directors must not accept commissions from others for transactions conducted with the Company as personal gain;

(8) Directors are prohibited from disclosing confidential Company information without proper authorization;

(9) Directors shall not misuse their connected relationships to the detriment of the Company's interests;

(10) Directors are obligated to fulfill additional fiduciary obligations as stipulated in laws, administrative regulations, departmental rules and the Articles of Association.

Any income obtained by a director in violation of the above provisions shall be deemed the property of the Company. In cases where such actions result in losses to the Company, the director shall be held liable for compensation.

Directors shall comply with laws, administrative regulations and the Articles of Association, and assume the following diligent obligations to the Company:

(1) directors shall prudently, earnestly and diligently exercise the powers granted by the Company. This ensures that the Company conducts its commercial activities in accordance with state laws, administrative regulations and economic policies, while adhering to the specified business activities outlined in the Company's business license;

(2) directors are obligated to treat all shareholders fairly;

(3) directors are required to maintain timely awareness of the operation and management of the Company;

(4) directors are to sign written statements confirming the regular reports of the Company. They must ensure that information disclosed by the Company is true, accurate and complete;

(5) directors must provide accurate information and materials to the Supervisory Committee. They should not impede the Supervisory Committee or individual supervisors from performing their duties;

(6) directors must fulfill other diligence obligations stipulated in laws, administrative regulations, departmental rules, the Articles of Association and regulatory rules in the location where the Company's shares are listed.

The fiduciary duties owed by a director to the Company and shareholders persist even after the termination of their term of office. This obligation remains effective for three years after the effectiveness of resignation or expiration of the term of office. After resigning or when the term of office expires, a director must maintain confidentiality regarding the Company's trade secrets and refrain from engaging in any business similar to that of the Company using its key technology. The continuation period for other obligations is determined fairly, considering the time elapsed between the relevant event and the departure, as well as the circumstances and conditions under which the director's relationship with the Company is terminated.

Any director who violates laws, administrative regulations, departmental rules, regulatory rules for securities where the Company's shares are listed, or the Articles of Association, causing losses to the Company in the performance of their duties, shall be held liable for compensation.

Board of Directors

The Board shall exercise the following powers:

(1) to convene general meetings and report to the general meetings;

(2) to execute the resolutions of the general meeting;

(3) to decide on the business plans and investment plans of the Company;

(4) to formulate the annual financial budgets and final accounting plan of the Company;

(5) to devise plans for profit distribution and strategies for recovering losses for the Company;

(6) to formulate proposals for the increase or reduction registered capital, issuance of bonds or other securities, and listing plans of the Company;

(7) to formulate plans for material acquisitions, purchase of Company shares, merger, division, dissolution and changes in the corporate form;

(8) 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;

(9) to determine the establishment of the Company's internal management bodies;

(10) 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;

(11) to formulate the basic management system of the Company;

(12) to formulate proposals for any amendment to the Articles of Association;

(13) to manage the information disclosure of the Company;

(14) to propose to the general meeting the appointment or replacement of the accounting firm that audits the Company;

(15) to listen to the work report of the general manager of the Company and inspect his/her work of the general manager;

(16) 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;

(17) 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.

To make resolutions on the aforementioned matters, except for items (6), (7) and (12), and matters required by laws, administrative regulations, departmental rules, listing rules of the stock exchange where the Company's shares are listed, and these Articles of Association to be subject to the approval of two-thirds of the directors, other matters may be resolved by more than half of the directors.

Issues exceeding the authority granted by the general meeting must be presented to the general meeting for consideration.

Power to allocate and issue shares

The Articles of Association does not contain clauses that grant the Board of Directors the authority to allocate or issue shares. Plans for capital, bond or securities issuance, and listing must be devised by the Board of Directors and require approval from the general shareholders' meeting.

Power to dispose assets of our company or any subsidiary

The Board of Directors shall determine the authority related to external investment, asset acquisition and sales, asset mortgage, external guarantee matters, entrusted financial management, major transaction and connected transactions. Stringent review and decision-making procedures are established, and major investment projects undergo scrutiny by relevant experts and professionals and shall be reported to the general meeting for approval.

Borrowing powers

The Board of Directors has the authority to formulate proposals for the company to issue bonds and list its shares, subject to approval by the general meeting.

GENERAL MANAGER

The Company shall have one general manager who shall be appointed or dismissed by the Board of Directors. The general manager is accountable to the Board and is vested with the following powers:

(1) responsible for the production, operation and management of the Company. Organizes the implementation of Board resolutions and reports to the Board;

(2) organizes the implementation of the Company's annual business plan and investment plan;

(3) drafts plans for the establishment of the Company's internal management bodies;

(4) drafts the basic management system of the Company;

(5) formulates the specific rules and regulations of the Company;

(6) proposes to the Board the appointment or dismissal of deputy general managers, chief financial officer and other senior management of the Company;

(7) appoints or dismisses management personnel, excluding those requiring Board approval;

(8) exercises other powers conferred by the Articles of Association or the Board.

The general manager is required to attend board meetings.

SUPERVISORY COMMITTEE

The Company shall have a Supervisory Committee. The Supervisory Committee of the Company comprises three Supervisors, with one elected chairman chosen by more than half of all Supervisors.

The Supervisory Committee shall include shareholders' representatives and an appropriate number of employees' representatives, with the stipulation that the ratio of employees' representatives should not fall below one-third. Shareholders' representatives will be elected or removed by the general meeting, while employees' representatives will be chosen or dismissed by the Company's employees through processes such as an employees' representative congress, employees' congress or other forms of democratic election.

The Supervisory Committee exercises the following powers:

(1) reviews the regular reports of the Company prepared by the Board, to provide written review opinions and to execute written confirmation opinions;

(2) examines the financial affairs of the Company;

(3) supervises the directors and senior management in their performance of their duties, proposing 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;

(4) demands rectification from a Director or senior management when the acts of such persons are detrimental to the interests of the Company;

(5) proposes the convening of extraordinary general meetings, summoning and presiding over general meetings if the Board neglects its duties to do so under the PRC Company Law;

(6) submits proposals to the general meeting;

(7) negotiates with or initiates litigation against the directors on behalf of the Company, or to initiate proceedings against directors and senior management following the PRC Company Law;

(8) checks financial reports, business reports, profit distribution plans and other financial documents submitted to shareholders' general meetings by the Board. If questions arise, commissions certified public accountants and certified auditors in the Company's name to assist in verification of doubtful documents, with the expenses borne by the Company;

(9) investigates 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;

(10) exercises other powers conferred 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.

Resolutions of the Supervisory Committee require approval from at least half of the supervisors.

ACCOUNTS AND AUDIT

Financial and Accounting Policies

The Company shall establish its financial and accounting system in compliance with laws, administrative regulations, and the requirements of the relevant state authorities.

Financial reports will be prepared at the end of each fiscal year and undergo auditing and verification as per legal requirements.

The Company shall submit and disclose its annual financial reports to China Securities Regulatory Commission (if necessary) and the stock changes where the Shares are listed within four months from the ending date of each fiscal year and submit and disclose its interim reports to the delegated authority of China Securities Regulatory Commission (if necessary) and the stock changes where the Shares are listed within two months from the ending date of the first half of each fiscal year.

The Company is restricted to using only statutory accounting books, and its assets cannot be held in accounts under the name of any individual.

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 is renewable.

The decision to employ accounting firms for regular auditing services must be made by the general meeting, and the Board of Directors cannot appoint accounting firms before the general meeting's decision.

The Company commits to providing the employed accounting firm with complete and accurate accounting vouchers, books, financial and accounting reports, and other accounting materials, refraining from refusal, concealment or false statements.

Upon dismissal or non-renewal of the accounting firm, the Company will notify the firm 30 days in advance. During the general meeting's vote on dismissal, the accounting firm is allowed to express its opinions. If the accounting firm decides to resign, it must clarify to the general meeting whether any improper situations exist within the Company.

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 adheres to a positive profit distribution policy, prioritizing equitable returns for shareholders, emphasizing sustainable Company development, and upholding the consistency 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 both. In cases where conditions for cash dividend distribution are met, priority is given to cash dividends over stock dividends.

(3) Dividend distribution period: the Company aims to conduct profit distribution at least once annually. The Board of Directors may propose

interim and special profit distributions based on the Company's profits and capital needs and submit the same to the shareholders' meeting for approval.

(4) Conditions to distribution of cash dividends: the Company is eligible to distribute dividends in cash if it has recorded profits in the preceding fiscal year, possesses positive accumulated distributable profits, and meets the capital requirements for normal production and operations.

(5) If stock dividends are employed for profit distribution, the Board of Directors is responsible for specifying the rational factors governing the distribution of stock dividends.

Following shareholder approval of the profit distribution plan, the Board commits to completing dividend (or share) distribution within two months of the shareholders' general meeting.

PROCEDURES ON LIQUIDATION

The Company shall be dissolved under the following circumstances:

(1) the term specified in the Articles of Association expires, or events of dissolution outlined in the Articles of Association occur;

(2) the shareholders' general meeting passes a resolution to dissolve the Company;

(3) dissolution is necessitated by the merger or division of the Company;

(4) the Company's business license is revoked, or it is mandated to close down in accordance with the law;

(5) in cases where the Company is in severe operational and managerial difficulties, and its continued existence would lead to significant losses for shareholders, and such challenges cannot be resolved through alternative means, shareholders holding 10% or more of the voting rights may request the people's court to dissolve the Company.

For reasons (1), (2), (4), and (5) above, a liquidation committee shall be formed, and the liquidation process shall commence within 15 days after the cause of dissolution arises. This committee will consist of directors or individuals designated by the shareholders' general meeting. Failure to establish a liquidation committee within the stipulated timeframe may prompt creditors to petition the people's court to appoint relevant personnel for the formation of a liquidation committee to carry out the liquidation process.

The liquidation committee is obligated to notify creditors within 10 days of its establishment, publish an announcement in designated newspapers and periodicals, and comply with the requirements of the stock exchange where the Company's shares are listed within 60 days.

Where the liquidation group discovers upon clearance of company assets and preparation of the balance sheet and inventory of assets that the company assets are insufficient to settle the debts, an application shall be made to a people's court to declare the insolvency in accordance with the law.

Upon completion of the liquidation, the liquidation group shall prepare and submit a liquidation report to the board of shareholders, a shareholders' general meeting or a people's court for confirmation, submit a copy of the liquidation report to the company registration authorities to apply for de-registration and make a public announcement of the termination of the company.

ALTERATIONS TO CONSTITUTIONAL DOCUMENTS

The Company shall amend the Articles of Association under any of the following circumstances:

(1) in the event of amendments to the PRC Company Law or relevant laws, administrative regulations and securities regulatory rules of the stock exchange where the Company's shares are listed, leading to conflicts with the existing provisions of the Articles of Association;

(2) if there is a change in the Company's situation that is inconsistent with the matters recorded in the Articles of Association;

(3) when the shareholders' general meeting decides to make amendments to the Articles of Association.

Any amendments approved by the shareholders' general meeting, requiring approval from competent authorities, will be submitted accordingly. If there are changes in the registered particulars of the Company, the necessary application for registration of these changes will be made in accordance with the applicable laws.

ANY OTHER PROVISIONS MATERIAL TO THE COMPANY OR THE SHAREHOLDERS THEREOF

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. Shareholders bear responsibility for the Company proportional to their subscribed shares, and the Company is liable for its debts using all its assets.

The Articles of Association, effective from their initiation, serve as the legally binding document governing the Company's organization, activities and the rights and obligations among the Company, shareholders, directors, supervisors and senior officers. Shareholders have the right to initiate lawsuits against other shareholders, directors, supervisors, general managers or any other senior officers based on the Articles of

Association. Any shareholder may file a lawsuit against the Company, and the Company may file a lawsuit against any shareholder, director, supervisor, general manager or any other senior officer.

Reserves

When distributing its current-year after-tax profits, the Company is obligated to allocate 10% of the profit to its statutory reserve fund. However, allocations to the statutory reserve fund can be waived once the cumulative amount reaches more than 50% of the Company's registered capital. In instances where the statutory reserve fund is insufficient to cover any losses incurred by the Company in the previous year, the current year's profit shall be utilized to offset such losses before any allocation is made to the statutory reserve fund.

Following the allocation to the statutory reserve fund from the after-tax profit, and upon the adoption of a resolution by the general meeting, an allocation may be directed to the discretionary reserve fund. Once the Company has covered its losses and made allocations to the reserve funds, any remaining profit shall be distributed to the shareholders based on their respective shareholdings.

Profits shall not be distributed to shares held by the Company itself. If the general meeting, contrary to the previous provision, distributes profits to the shareholders before covering the Company's losses and making an allocation to the statutory reserve fund, the distributed profits must be returned to the Company.

The Company reserve funds are earmarked for purposes such as covering the Company's losses, expanding production and operations or converting them to increase the Company's capital. However, the capital reserve fund is explicitly prohibited from being used to cover the Company's losses.

After converting statutory reserve funds into capital, the remaining balance of the statutory reserve funds must be maintained at no less than 25% of the Company's registered capital prior to the conversion.

Rights of the Minorities in Relation to Fraud or Oppression Thereof

If Directors or senior management personnel violate the provisions of laws, administrative regulations or the articles of the Articles of Association in his/her performance of duties and powers, causing losses to our Company, shareholders holding individually or jointly more than 1% of the Company's shares continuously for over 180 days have the right to request the Supervisory Committee, in writing, to file a lawsuit with the people's court. If the Supervisory Committee itself violates laws, administrative regulations or the Articles of Association, causing losses to the Company, the aforesaid shareholders may, in writing, request the Board of Directors to initiate legal action.

If the Supervisory Committee or the Board of Directors declines to file a lawsuit following a written request, or fails to do so within 30 days from the date of receiving the request, or if the situation is urgent and a delay in filing a lawsuit would result in irreparable damage to the Company's interests, the mentioned shareholders have the right to independently file a lawsuit with the people's court for the benefit of the 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.

In cases where Company shareholders misuse their rights, leading to losses for the Company or other shareholders, they are subject to compensation liability in accordance with the law. If Company shareholders abuse the independent legal person status and limited liability, evade debts and significantly harm the interests of the Company's creditors, they are jointly and severally liable for the Company's debts.

The controlling shareholders and actual controllers of the Company are prohibited from utilizing their affiliated relationships to detrimentally affect the Company's interests. Violations leading to losses for the Company make them liable for compensation. These individuals have a fiduciary obligation to the Company and its general public shareholders. Controlling shareholders must responsibly exercise their investor rights within the bounds of the law. They are prohibited from using profit distribution, asset restructuring, external investment, fund occupation, loan guarantees, etc., to compromise the legitimate rights and interests of the Company and its general public shareholders. Their controlling position should not be exploited to harm the Company's interests or those of its general public shareholders. Violations to relevant laws, regulations or the provisions of the Articles of Association leading to losses for the Company and general public shareholders make them liable for compensation.

FURTHER INFORMATION ABOUT OUR COMPANY

Incorporation

Our Company was established as a limited liability company in the PRC on November 8, 2013 and was converted into a joint stock limited company on November 24, 2023 under the laws of the PRC. Immediately before the completion of the **[REDACTED]**, the registered share capital of our Company was RMB102,430,000.

Our principal place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on January 19, 2024. Ms. Yu Anne (余安妮) has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As we are established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix III — Summary of the Articles of Association."

Changes in Share Capital

On November 8, 2013, our Company was incorporated with a registered capital of RMB500,000.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this document:

On July 28, 2023, the share capital of our Company was increased from RMB10,896,117 to RMB11,620,661.

On November 24, 2023, the share capital of our Company was increased from RMB11,620,661 to RMB100,000,000.

On February 9, 2024, the share capital of our Company was increased from RMB100,000,000 to RMB102,430,000.

For more details, see "History, Development and Corporate Structure — Establishment and Development of Our Company." Save as aforesaid, there had been no alterations of our share capital within the two years preceding the date of publication of this document.

Resolutions of our Shareholders

Pursuant to a general meeting held on February 13, 2024, among other things, our Shareholders resolved that:

(a) the issuance by our Company of the H Shares of nominal value of RMB1.00 each and such H Shares being [**REDACTED**] on the Hong Kong Stock Exchange;

(b) the number of H Shares to be [**REDACTED**] shall not be more than 25% of the total issued share capital of our Company as enlarged by the [**REDACTED**], and the grant to the [**REDACTED**] (or their representatives) of the [**REDACTED**] of not more than 15% of the number of H Shares [**REDACTED**] pursuant to the [**REDACTED**];

(c) subject to the completion of the [**REDACTED**], the adoption of the Articles of Association which shall become effective on the [**REDACTED**], and authorization to the Board to amend the Articles of Association for the purpose of the Company's [**REDACTED**]; and

(d) authorization of the Board to handle all matters relating to, among other things, the [**REDACTED**], the [**REDACTED**] and [**REDACTED**] of the H Shares.

Changes in Share Capital of our Subsidiaries

The following sets forth the changes in the share capital of the subsidiaries of the Company within two years immediately preceding the date of this document:

On May 22, 2023, the registered capital of Zhejiang Senyi Food Technology Co., Ltd. (浙江森逸食品科技有限公司) was increased from RMB10 million to RMB50 million.

On June 29, 2023, Shanghai Senqian Technology Development Co., Ltd. (上海森乾科技發展有限公司) was established in Shanghai, the PRC with the registered capital of RMB2 million.

On August 28, 2023, Hangzhou Auntea Jenny Industrial Co., Ltd. (杭州滬上阿姨實業有限公司) was established in Hangzhou, Zhejiang Province, the PRC with the registered capital of RMB20 million.

On October 11, 2023, Shanghai Pangyi Industrial Co., Ltd. (上海龐逸實業有限公司) was established in Shanghai, the PRC with the registered capital of RMB1 million.

On January 3, 2024, the registered capital of Shanghai Ruizhong Industrial Co., Ltd. (上海睿眾實業有限公司) was increased from RMB10 million to RMB20 million.

On January 30, 2024, Shanghai Shenpu Supply Chain Management Co., Ltd. (上海神璞供應鏈管理有限公司) was established in Shanghai, the PRC with the registered capital of RMB1 million.

FURTHER INFORMATION ABOUT OUR BUSINESS

Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

1. the investment agreement dated July 25, 2023 entered into among Shanghai Zhenjing Industrial Co., Ltd. (上海臻敬實業股份有限公司) (the "**Company**"), Mr. Shan Weijun (單衛鈞) ("**Mr. Shan**"), Ms. Zhou Rongrong (周蓉蓉) ("**Ms. Zhou**"), Shanghai Puhai Enterprise Management Co., Ltd. (上海璞海企業管理有限公司) ("**Shanghai Puhai**"), Shanghai Senrui Enterprise Management Partnership (Limited Partnership) (上海森芮企業管理合夥企業(有限合夥)) ("**Shanghai Senrui**"), Shanghai Yuchao Enterprise Management Partnership (Limited Partnership) (上海禹超企業管理合夥企業(有限合夥)) ("**Shanghai Yuchao**"), Shanghai Yuhong Enterprise Management Partnership (Limited Partnership) (上海禹翃企業管理合夥企業(有限合夥)) ("**Shanghai Yuhong**"), Shanghai Yuyun Enterprise Management Partnership (Limited Partnership) (上海禹鋆企業管理合夥企業(有限合夥)) ("**Shanghai Yuyun**"), Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) (珠海金鎰銘股權投資基金合夥企業(有限合夥)) ("**Jinyi Capital**"), Suzhou Xiangzhong Venture Capital Partnership (Limited Partnership) (蘇州祥仲創業投資合夥企業(有限合夥)) ("**Suzhou Xiangzhong**"), Nanjing Xiangzhong Venture Capital Partnership (Limited Partnership) (南京祥仲創業投資合夥企業(有限合夥)) ("**Nanjing Xiangzhong**"), Shanghai Shibei High-tech Venture Capital Partnership (Limited Partnership) (上海市北高新創業投資合夥企業(有限合夥)) ("**Shibei Hi-tech**"), Shanghai Yiyu Investment Consulting Co., Ltd. (上海頤玉投資諮詢有限責任公司) ("**Yiyu Consulting**"), Beijing Desai Innovation Equity Investment Center (Limited Partnership) (北京德賽創新股權投資中心(有限合夥) ("**Desai Innovation**") and Zhuhai Hengqin Zhiyi Qianrui Investment Partnership (Limited Partnership) (珠海橫琴知壹乾睿投資合夥企業(有限合夥)) ("**InnoVision Capital**"), pursuant to which Jinyi Capital agreed to subscribe for an increased registered capital of RMB168,500 in our Company with a consideration of RMB58,000,000; Suzhou Xiangzhong agreed to subscribe for an increased registered capital of RMB67,400 in our Company with a consideration of RMB23,200,000, Nanjing Xiangzhong agreed to subscribe for an increased registered capital of RMB16,850 in our Company with a consideration of RMB5,800,000, Shibei Hi-tech agreed to subscribe for an increased registered capital of RMB31,172 in our Company with a consideration of RMB10,730,000, Yiyu Consulting agreed to subscribe for an increased registered capital of RMB2,528 in our Company with a consideration of RMB870,000, Desai Innovation agreed to subscribe for an increased capital of RMB50,550 in our Company with a consideration of RMB17,400,000, InnoVision Capital agreed to subscribe for an increased capital of RMB50,550 in our Company with a consideration of RMB17,400,000. Moreover, Jinyi Capital agreed to acquire the registered capital of RMB162,689 in Shanghai Senrui with a consideration of RMB42,000,000; Suzhou

Xiangzhong agreed to acquire the registered capital of RMB65,076 in Shanghai Senrui with a consideration of RMB16,800,000; Nanjing Xiangzhong agreed to acquire the registered capital of RMB16,269 in Shanghai Senrui with a consideration of RMB4,200,000; Shibei Hi-tech agreed to acquire the registered capital of RMB30,098 in Shanghai Senrui with a consideration of RMB7,770,000; Yiyu Consulting agreed to acquire the registered capital of RMB2,440 in Shanghai Senrui with a consideration of RMB630,000; Desai Innovation agreed to acquire the registered capital of RMB48,807 in Shanghai Senrui with a consideration of RMB12,600,000; InnoVision Capital agreed to acquire the registered capital of RMB48,807 in Shanghai Senrui with a consideration of RMB12,600,000.

2. the amended and restated shareholders agreement dated July 25, 2023 entered into among the Company, Mr. Shan, Ms. Zhou, Shanghai Puhai, Shanghai Senrui, Shanghai Yuchao, Shanghai Yuhong, Shanghai Yuyun, Jinyi Capital, Suzhou Yizhong Venture Capital Partnership (Limited Partnership) (蘇州宜仲創業投資合夥企業(有限合夥)) ("**Suzhou Yizhong**"), Suzhou Xiangzhong, Nanjing Xiangzhong, Shibei Hi-tech, Yiyu Consulting, Desai Innovation and InnoVision Capital regarding the shareholders' rights in the Company.

3. the supplemental agreement to the shareholders agreement dated October 10, 2023 entered into among the Company, Mr. Shan, Ms. Zhou, Shanghai Puhai, Shanghai Senrui, Shanghai Yuchao, Shanghai Yuhong, Shanghai Yuyun, Jinyi Capital, Suzhou Yizhong, Suzhou Xiangzhong, Nanjing Xiangzhong, Shibei Hi-tech, Yiyu Consulting, Desai Innovation and InnoVision Capital, pursuant to which the shareholders of the Company agreed to terminate certain special shareholders rights, details of which are included in the section headed "History, Development and Corporate Structure" in this document.

4. the amended and restated shareholders agreement dated November 8, 2023 entered into among the Company, Mr. Shan, Ms. Zhou, Shanghai Puhai, Shanghai Senrui, Shanghai Yuchao, Shanghai Yuhong, Shanghai Yuyun, Jinyi Capital, Suzhou Yizhong, Suzhou Xiangzhong, Nanjing Xiangzhong, Shibei Hi-tech, Yiyu Consulting, Desai Innovation and InnoVision Capital regarding the shareholders' rights in the Company following the conversion into a joint stock limited company, replacing the amended and restated shareholders agreement dated July 25, 2023.

5. the capital increase agreement dated January 29, 2024 entered into among the Company, Mr. Shan, Ms. Zhou, Shanghai Puhai, Shanghai Senrui, Shanghai Yuchao, Shanghai Yuhong, Shanghai Yuyun, Gongqingcheng Jinxiao Venture Capital Partnership (Limited Partnership) (共青城金鴞創業投資合夥企業(有限合夥)) ("**Jinxiao Investment**"), Xiamen Yinlin Equity Investment Partnership (Limited Partnership) (廈門銀鱗股權投資合夥企業(有限合夥)) ("**Yinlin Investment**"), Guangzhou Hanshuai Venture Capital Partnership (Limited Partnership) (廣州瀚率創業投資合夥企業(有限合夥)) ("**Hanshuai Investment**") and Shanghai Yipu Enterprise Management Co., Ltd. (上海一僕企業管理有限公司) ("**Shanghai Yipu**"), pursuant to which Jinxiao Investment agreed to

subscribe for an increased registered capital of RMB770,000 in our Company with a consideration of RMB38,500,000; Yinlin Investment agreed to subscribe for an increased registered capital of RMB160,000 in our Company with a consideration of RMB8,000,000; Hanshuai Investment agreed to subscribe for an increased registered capital of RMB1,000,000 in our Company with a consideration of RMB50,000,000; an Shanghai Yipu agreed to subscribe for an increased registered capital of RMB500,000 in our Company with a consideration of RMB25,000,000.

6. the amended and restated shareholders agreement, dated February 9, 2024, entered into among the Company, Mr. Shan, Ms. Zhou, Shanghai Puhai, Shanghai Senrui, Shanghai Yuchao, Shanghai Yuhong, Shanghai Yuyun, Jinyi Capital, Suzhou Yizhong, Suzhou Xiangzhong, Nanjing Xiangzhong, Shibei Hi-tech, Yiyu Consulting, Desai Innovation and InnoVision Capital, Jinxiao Investment, Yinlin Investment, Hanshuai Investment and Shanghai Yipu regarding the shareholders' rights in the Company.

7. **[REDACTED]**

8. **[REDACTED]**

Intellectual Property Rights

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	Place of Registration	Class	Registered Number	Expiry Date
1.	沪上阿姨	PRC	29	13543090	January 20, 2025
			32	13543118	January 20, 2025
			35	13543177	February 6, 2025
			43	13543212	February 13, 2025
			30	13576267	February 13, 2025
2.	沪上阿姨	PRC	29	13543073	January 20, 2025
			32	13543135	January 20, 2025
			43	13543226	January 20, 2025
			35	13543162	February 6, 2025
			30	13576223	February 13, 2025

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
3.	沪姨 HU YI	PRC	43	21483852	November 20, 2027
4.	茶瀑布	PRC	32	29134265	December 20, 2028
			30	29134266	December 20, 2028
			43	29126743	December 27, 2028
			35	29141118	December 27, 2028
			29	29143657	December 27, 2028
5.	AUNTEA JENNY	PRC	35	31037326	March 6, 2029
			30	31055568	March 13, 2029
			43	31031454	March 20, 2029
			29	33459531	May 20, 2029
6.	JennyX coffee	PRC	43	37680890	June 20, 2030
7.		PRC	30	40682241	June 27, 2030
			43	40686662	June 27, 2030
			29	40697532	June 27, 2030
			35	40697536	June 27, 2030
8.	沪上阿姨鲜果茶	PRC	35	58898924	February 20, 2032
			43	58906478	February 20, 2032
			30	58886212	July 6, 2032
			29	59168595	July 6, 2032
9.	沪咖	PRC	30	60582375	May 13, 2032
			43	60595404	May 13, 2032
10.	沪上阿姨 AUNTEA JENNY 鲜果茶	PRC	43	62985900	August 20, 2032

No.	Trademark	Place of Registration	Class	Registered Number	Expiry Date
11.		PRC	43	65464134	December 6, 2032
			35	65471731	December 6, 2032
			29	65487316	December 6, 2032
			32	65479078	December 13, 2032
12.	沪咖	PRC	32	67821970	May 13, 2033
			29	67836170	May 13, 2033
13.	AUNTEA JENNY 沪 上 阿 姨	Hong Kong	43	305101244	October 31, 2029
14.	AUNTEA JENNY沪上阿姨	Hong Kong	43	304589443	July 8, 2028
15.		Hong Kong	43	305101253	October 31, 2029
16.	AUNTEA JENNY 沪 上 阿 姨	Hong Kong	29, 30, 32, 35	305522535	January 31, 2031

Copyrights registered

As at the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Copyright Type	Registered Owner	Registration Number	Registration Date
1.	Auntea Jenny logo (滬上阿姨標識)	Artwork	Our Company	Guozuodengzi (國作登字) - 2019-F-00935053	November 18, 2019
2.	Lemon Mug (檸檬杯)	Artwork	Our Company	Guozuodengzi (國作登字) - 2022-F-10142048	July 15, 2022
3.	Auntea Jenny Brand Identity Version 5.0 Logo Line Drawing (滬上阿姨品牌形象5.0版 LOGO線稿)	Artwork	Our Company	Guozuodengzi (國作登字) - 2022-F-10239901	November 15, 2022
4.	Auntea Jenny Brand Identity Version 5.0 LOGO color block draft (滬上阿姨品牌形象5.0版 LOGO色塊稿)	Artwork	Our Company	Guozuodengzi (國作登字) - 2022-F-10239900	November 15, 2022

Software Copyrights registered

As at the Latest Practicable Date, we had registered the following software copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered Owner	Registration Number	Registration Date
1.	Auntea Jenny Supervision Assistant Software V1.0 (滬上阿姨督導助手軟件V1.0)	Our Company	2023SR0963175	August 22, 2023
2.	Auntea Jenny ordering back-end management software V2.0.3 (滬上阿姨訂貨後台管理軟件V2.0.3)	Our Company	2023SR0964327	August 22, 2023

Patents

As of the Latest Practicable Date, we have registered the following patents which we considered to be or may be material to our business:

No.	Patent Name	Patent No.	Application Type	Patent Owner	Place of Registration	Application Date
1.	Fruit Tea Processing Equipment and Method (一種果茶加工設備及加工方法)	ZL202111266376.3	Invention	Our Company	PRC	October 28, 2021
2.	Lids and Cups (杯蓋及杯子)	ZL202221346865.X	Utility model	Our Company	PRC	May 20, 2022
3.	Suitcase (行李箱)	ZL202230406455.9	Design	Our Company	PRC	June 29, 2022
4.	Packing cups (Xiao Long Bao cups) (包裝杯(小籠包杯))	ZL202230407221.6	Design	Our Company	PRC	June 29, 2022
5.	Cups (Auntea Jenny's Fans Huey Bunny Bucket Cups) (杯子(滬上阿姨迷滬兔大桶杯))	ZL202230787884.5	Design	Our Company	PRC	November 24, 2022
6.	Straws (Auntea Jenny's Fans Huey Bunny Pulled Ear Straws) (吸管(滬上阿姨迷滬兔拉耳吸管))	ZL202230807542.5	Design	Our Company	PRC	December 2, 2022
7.	Beverage Filing Mechanism (飲品灌裝機構)	ZL202320615640.8	Utility model	Zhejiang Senyi	PRC	March 27, 2023
8.	Vibrating Screening Machine (振動篩分機)	ZL202320614954.6	Utility model	Zhejiang Senyi	PRC	March 27, 2023

Domain Name

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	Owner	Registration Date
1.	hsayi.com	Our Company	February 17, 2016
2.	hsay.com	Our Company	December 19, 2003
3.	hsay.cn	Our Company	July 22, 2019
4.	hukacafe.com	Our Company	December 28, 2022
5.	shpr.top	Shanghai Senqian	November 9, 2020

Employee Incentive Schemes

The following is a summary of the principal terms of the employee incentive scheme approved and adopted by the Company on September 30, 2020 (the "**2020 Employee Incentive Scheme**") and employee incentive scheme approved and adopted by the Board on July 20, 2023 (the "**2023 Employee Incentive Scheme**", collectively, the "**Employee Incentive Schemes**"), respectively. The terms of the Employee Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as the Employee Incentive Schemes do not involve the grant of options by our Company to subscribe for H Shares after the [**REDACTED**].

Given the underlying Shares under the Employee Incentive Schemes were either transferred by our Controlling Shareholders to or had already been issued by the Company to the Shanghai Yuchao, Shanghai Yuhong and Shanghai Yuyun (the "**Employee Shareholding Platforms**"), there will be no dilutive effect to the issued Shares upon the vesting of the awards under the Employee Incentive Schemes.

As of the Latest Practicable Date, Shanghai Yuchao, Shanghai Yuhong and Shanghai Yuyun were the Company's Employee Shareholding Platforms holding 17,210,725, 1,449,978 and 1,449,978 underlying Shares of the Company. For details of Shanghai Yuchao, Shanghai Yuhong and Shanghai Yuyun, see "History, Development and Corporate Structure."

(a) Purpose

The purpose of the Employee Incentive Schemes is to recognise the contribution of our employees to the Group and motivate them to further promote the development of our Group.

(b) Eligible participants

Persons eligible to participate in the Employee Incentive Schemes are the management members and key employees of our Group.

(c) Grant of awards

As of the Latest Practicable Date, an aggregate of 3,530,999, 1,449,978 and 1,449,978 underlying Shares held by Shanghai Yuchao, Shanghai Yuhong and Shanghai Yuyun were granted to 36, 36 and 40 selected participants, respectively.

As of the Latest Practicable Date, all the underlying Shares under the Employee Incentive Schemes had been granted to the relevant individuals.

Details of the underlying Shares under the Employee Incentive Schemes granted to the Directors and Supervisors of the Company or our subsidiaries (excluding insignificant subsidiaries), who are connected persons of the Company, as of the Latest Practicable Date are set out below:

Name	Relationship with the Company	Number of underlying Shares granted under the Employee Incentive Schemes	Underlying Shares granted as a percentage of total issued share capital immediately upon the completion of the [REDACTED]
Mr. Zhou Tianmu	Director	937,546	[REDACTED]%
Mr. Wang Jiaxing	Director	180,606	[REDACTED]%
Mr. Gu Liang	Supervisor	261,142	[REDACTED]%
Ms. Xu Na	Supervisor	48,649	[REDACTED]%
Ms. Chen Fangfang	Supervisor	51,188	[REDACTED]%
Mr. Yan Yiqing	Former Director	937,546	[REDACTED]%

(d) Vesting of Restricted Shares

The vesting of the underlying Shares granted is conditional upon the expiry of the lock-up period, which is fulfilling at least four years' service period for the Group from the date of signing respective employee incentive agreement by qualified employees.

(e) Realization of economic benefits attached to the underlying Shares

Participants may realize the economic benefits attached to the underlying Shares by (i) applying to the general partner of corresponding Employee Shareholding Platforms, who shall then sell the underlying Shares in the open market and distribute the sale proceeds to the relevant Participants after deducting relevant expenses and taxes; or (ii) as approved by the general partner, transferring the underlying Shares to other parties.

(f) Restrictions on transfer

After the [**REDACTED**], in addition to the restrictions under the Employee Incentive Schemes, the transfer or sale by selected participants shall be subject to the lock-up requirements under the relevant laws and regulations and the stock exchange rules, or the respective agreements entered into between the Company and the relevant selected participants pursuant to the terms of the Employee Incentive Schemes (if applicable).

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company

Immediately following the completion of the **[REDACTED]** and Conversion of Domestic **[REDACTED]** Shares into H Shares, assuming that the **[REDACTED]** is not exercised, the interest and short position of each of our Directors, Supervisors and Chief Executive Officer in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Hong Kong Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) will be as follows:

Interests in our Company

Shareholder	Position	Nature of Interest	Number and Class of Shares[1]	Approximate Percentage of Shareholding in the Relevant Class of Shares immediately after completion of the [REDACTED]	Approximate Percentage of Shareholding in the Total Issued Share Capital of our Company immediately after completion of the [REDACTED]
				(%)	(%)
Mr. Shan[3][4][5][6]	Director	Interest in controlled corporation, interests held jointly with other person and interest of Spouse	[REDACTED] Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
			[REDACTED] H Shares	[REDACTED]	[REDACTED]
Ms. Zhou[2][3][4][5][6]	Director	Interest in controlled corporation, interests held jointly with other person and interest of Spouse	[REDACTED] Domestic [REDACTED] Shares	[REDACTED]	[REDACTED]
			[REDACTED] H Shares	[REDACTED]	[REDACTED]

Notes:

(1) All interests are long positions.

(2) As of the Latest Practicable Date, Ms. Zhou held 80% of the equity interest in Shanghai Puhai. Therefore, Ms. Zhou is deemed to be interested in the Shares held by Shanghai Puhai in the Company under the SFO.

(3) As of the Latest Practicable Date, Mr. Shan was the general partner of Shanghai Senrui. Meanwhile, Mr. Shan and Ms Zhou held approximately 44.67% and 45.49% of the partnership interest in Shanghai Senrui, respectively. Therefore, Mr. Shan and Ms. Zhou are deemed to be interested in the Shares held by Shanghai Senrui in the Company under the SFO.

(4) As of the Latest Practicable Date, Mr. Shan was the general partner of Shanghai Yuchao. Meanwhile, Mr. Shan and Ms Zhou held approximately 37.85% and 41.63% of the partnership interest in Shanghai Yuchao, respectively. Therefore, Mr. Shan and Ms. Zhou are deemed to be interested in the Shares held by Shanghai Yuchao in the Company under the SFO.

(5) On September 25, 2023, Mr. Shan and Ms. Zhou entered into a concert party agreement, pursuant to which Mr. Shan and Ms. Zhou have agreed and confirmed that the Company have been jointly controlled by them since its establishment and they have acted in concert since the establishment of the Company and will continue, and shall procure corporations under their control which directly hold Shares in our Company, to act in concert in respect of the management and operations of our Company. Pursuant to the act in concert arrangements, Mr. Shan and Ms. Zhou have consulted and would consult with each other to reach a unanimous consensus among themselves at the general meetings of the Company. In the event that they are unable to reach consensus on any matter presented, they have aligned and will continue to align their votes in accordance with Mr. Shan's decisions at the general meetings of the Company. Therefore, Mr. Shan and Ms. Zhou are deemed to be jointly interested in the Shares held by Shanghai Puhai, Shanghai Senrui and Shanghai Yuchao in the Company under the SFO.

(6) Mr. Shan is the spouse of Ms. Zhou. Therefore, each of Mr. Shan and Ms. Zhou is deemed to be interested in the Shares held by each other under the SFO.

2. Disclosure of Interests of Substantial Shareholders

Interest in the Shares of Our Company

For information on the persons who will, immediately following the completion of the [**REDACTED**] and Conversion of Domestic [**REDACTED**] Shares into H Shares, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see "Substantial Shareholders."

Interest in the Shares of Other Members of Our Company

As of the Latest Practicable Date, our Directors are not aware of any persons (other than our Directors, Supervisors or chief executive) who will, immediately following the completion of the [**REDACTED**], directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

3. Service Contracts

Each of our Directors has entered into service contracts with our Company. The principal particulars of these service contracts comprise (a) a term of three years which is equivalent to the term of the Board; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to Shareholders' approval. The service contracts can be renewed pursuant to our Articles of Association and applicable rules.

Each of our Supervisors has entered into a contract with our Company. Each contract contains provisions relating to compliance with relevant laws and regulations, observation of our Articles of Association and resolution of disputes by means of arbitration.

Save as disclosed above, we have not entered, 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 (other than contracts expiring or determinable by the employer within one year without any payment of compensation (other than statutory compensation)).

4. Director's and Supervisors' Remuneration

Save as disclosed in "*Directors, Supervisors and Senior Management*" and "Appendix I — Accountants' Report — II Notes to The Historical Financial Information — Directors', Supervisors' and Chief Executive's Remuneration" for the two financial years ended December 31, 2021, 2022 and the nine months ended September 30, 2023, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

5. Disclaimers

Saved as disclosed in this document:

(a) none of our Directors, Supervisors or any of the parties listed in "*Qualification of Experts*" of this Appendix is:

(i) interested in our promotion, or in any assets which, within the two years immediately preceding the date of this document, have been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to our Company;

(ii) materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(b) save in connection with the **[REDACTED]** and the **[REDACTED]**, none of the parties listed in "*Qualification of Experts*" of this Appendix:

(i) is interested legally or beneficially in any shares in any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(c) none of our Directors or Supervisors or their close associates or any shareholders of our Company who to the knowledge of our Directors owns more than 5% of our issued share capital has any interest in our top five customers or suppliers; and

(d) none of our Directors or Supervisors is a director or employee of a company that has an interest in the share capital of our Company which, once the H Shares are listed on the Hong Kong Stock Exchange, would have to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO.

OTHER INFORMATION

Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or our subsidiary.

Litigation

As of the Latest Practicable Date, no member of our Group was involved in any litigation, arbitration, administrative proceedings or claims of material importance, and, so far as we are aware, no litigation, arbitration, administrative proceedings or claims of material importance are pending or threatened against any member of our Group.

Joint Sponsors

The Joint Sponsors have made an [**REDACTED**] on our behalf to the [**REDACTED**] for the [**REDACTED**] of, and permission to [**REDACTED**], our H Shares. All necessary arrangements have been made to enable the securities to be admitted into [**REDACTED**].

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The sponsor fee payable to the Joint Sponsors by our Company is US$1,000,000 in total.

Preliminary Expenses

Our Company did not incur any material preliminary expenses.

Qualification of Experts

The qualifications of the experts who have given opinions or advice in this document are as follows:

Name	Qualification
CITIC Securities (Hong Kong) Limited *(in alphabetical order)*	A licensed corporation under the SFO for type 4 (advising on securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Haitong International Capital Limited *(in alphabetical order)*	A licensed corporation under the SFO for type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Orient Capital (Hong Kong) Limited *(in alphabetical order)*	A licensed corporation under the SFO for type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Zhong Lun Law Firm	PRC Legal Advisor
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
China Insights Industry Consultancy Limited	Independent industry consultant

Consents of Experts

Each of the experts referred to in "*Qualification of Experts*" in this Appendix has given and has not withdrawn its respective written consents to the issue of this document with the inclusion of certificates, letters, opinions or reports and the references to its names included herein in the form and context in which it is respectively included.

None of the experts named above has any of our shareholding interests in any member of our Group or rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities in any member of our Group.

Compliance Advisor

We have appointed Haitong International Capital Limited as our Compliance Advisor upon the [**REDACTED**] in compliance with Rule 3A.19 of the Hong Kong Listing Rules.

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, as of the date of this document, there has been no material adverse change in our financial position or prospects since [September 30, 2023].

Binding Effect

This document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

Miscellaneous

Save as 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 [**REDACTED**] or permission to [**REDACTED**] 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.

Restrictions on Share Repurchases

For details, see the sections headed "Appendix III — Summary of the Articles of Association" in this document.

Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Promoters

The promoters of our Company comprised all of the 13 then shareholders of our Company as at November 24, 2023 before our conversion into a joint stock limited liability company:

No.	Name
1.	Shanghai Puhai Enterprise Management Co., Ltd. (上海璞海企業管理有限公司)
2.	Shanghai Senrui Enterprise Management Partnership (Limited Partnership) (上海森芮企業管理合夥企業(有限合夥))
3.	Shanghai Yuchao Enterprise Management Partnership (Limited Partnership) (上海禹超企業管理合夥企業(有限合夥))
4.	Shanghai Yuhong Enterprise Management Partnership (Limited Partnership) (上海禹翃企業管理合夥企業(有限合夥))
5.	Shanghai Yuyun Enterprise Management Partnership (Limited Partnership) (上海禹鋆企業管理合夥企業(有限合夥))
6.	Suzhou Yizhong Venture Capital Partnership (Limited Partnership) (蘇州宜仲創業投資合夥企業(有限合夥))
7.	Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) 珠海金鎰銘股權投資基金合夥企業(有限合夥))
8.	Suzhou Xiangzhong Venture Capital Partnership (Limited Partnership) (蘇州祥仲創業投資合夥企業(有限合夥))
9.	Zhuhai Hengqin Zhiyi Qianrui Investment Partnership (Limited Partnership) (珠海橫琴知壹乾睿投資合夥企業(有限合夥))
10.	Beijing Desai Innovation Equity Investment Center (Limited Partnership) (北京德賽創新股權投資中心(有限合夥))
11.	Shanghai Shibei High-tech Venture Capital Partnership (Limited Partnership) (上海市北高新創業投資合夥企業(有限合夥))

No.	Name
12.	Nanjing Xiangzhong Venture Capital Partnership (Limited Partnership) (南京祥仲創業投資合夥企業(有限合夥))
13.	Shanghai Yiyu Investment Consulting Co., Ltd. (上海頤玉投資諮詢有限責任公司)

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) the written consents referred to in "Appendix IV — Statutory and General Information — Other Information — Consents of Experts"; and

(b) a copy of each of the material contracts referred to in "Appendix IV — Statutory and General Information — Further Information about our Business — Summary of Material Contracts."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.hsay.com** during a period of 14 days from the date of this document:

1. the Articles of Association;

2. the Accountants' Report prepared by Ernst & Young, the text of which is set forth in Appendix I to this document;

3. 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 Company for the nine months ended September 30, 2023];

4. the report from Ernst & Young on the unaudited [**REDACTED**] financial information of our Group, the text of which is set forth in Appendix II to this document;

5. the material contracts in "Appendix IV — Statutory and General Information — Further Information about our Business — Summary of Material Contracts";

6. the written consents referred to in "Appendix IV — Statutory and General Information — Other Information — Consents of Experts";

7. the service contracts referred to in "Appendix IV — Statutory and General Information — Further Information about our Directors, Supervisors, Management and Substantial Shareholders — Service Contracts";

8. the legal opinions issued by Zhong Lun Law Firm, our PRC Legal Advisor, in respect of, among other things, the general corporate matters and the property interests of our Group under PRC law;

9. the industry report issued by China Insights Industry Consultancy Limited, the summary of which is set forth in the section headed "Industry Overview" in this document; and

10. a copy of the PRC Company law, together with unofficial English translations.

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"affiliate"	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 (會計及財務匯報局)
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the [**REDACTED**], a summary of which is set out in Appendix III to this document
"Associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of our Company
"Board of Supervisors"	the board of supervisors of our Company
"Business day" or "business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
"CAC"	the Cyberspace Administration of China (中國國家互聯網信息辦公室)
"CAGR"	compound annual growth rate

[REDACTED]

[REDACTED]

"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this document only, Hong Kong, Macau and Taiwan
"CIC" or "China Insights Consultancy"	China Insights Industry Consultancy Limited, our industry consultant, which is an Independent Third Party
"CIC Report"	an independent market research report commissioned by our Company and prepared by CIC for the purpose of this document

"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" or "the Company"	Auntea Jenny (Shanghai) Industrial Co., Ltd. (滬上阿姨(上海)實業股份有限公司), formerly known as Shanghai Zhenjing Industrial Co., Ltd. (上海臻敬實業股份有限公司), a limited liability company established under the laws of the PRC on November 8, 2013
"Company Law" or "PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was last revised on October 26, 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules and, strictly in accordance with such meaning, includes Mr. Shan, Ms. Zhou, Shanghai Puhai, Shanghai Senrui and Shanghai Yuchao; and "Controlling Shareholder" shall mean any one of them
"Conversion of Domestic **[REDACTED]** Shares into H Shares"	The conversion of **[REDACTED]** Domestic **[REDACTED]** Shares in aggregate held by 17 existing Shareholders into H Shares upon the completion of **[REDACTED]**. Such conversion of Domestic **[REDACTED]** Shares into H Shares has been filed with the CSRC on [●] and CSRC has issued the filing notice in respect of the **[REDACTED]** dated [●]; and an **[REDACTED]** for H Shares to be **[REDACTED]** on the Hong Kong Stock Exchange has been made to the **[REDACTED]**

"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)
"CSDC (Hong Kong)"	China Securities Depository and Clearing (Hong Kong) Company Limited
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"CWDF"	the China Women's Development Foundation (中國婦女發展基金會)
"Desai Innovation"	Beijing Desai Innovation Equity Investment Center (Limited Partnership) (北京德賽創新股權投資中心(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 5, 2021 and one of our Pre-**[REDACTED]** Investors
"Director(s)"	director(s) of our Company
"Domestic **[REDACTED]** Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are not listed on any stock exchange
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"Employee Incentive Schemes"	the 2020 Employee Incentive Scheme and 2023 Employee Incentive Scheme of the Company, a summary of the principal terms of which is set out in "Statutory and General Information — Employee Incentive Schemes" in Appendix IV to this document

[REDACTED]

"Extreme Conditions"	any extreme conditions caused by a super typhoon as announced by the government of Hong Kong or any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong or that may affect the [**REDACTED**]
	[**REDACTED**]
"Group", "our Group", "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be [**REDACTED**] on the Hong Kong Stock Exchange
	[**REDACTED**]
"Haiyan Facility"	our self-owned production facility in Haiyan, Zhejiang province, PRC
"Hangzhou Auntea Jenny"	Hangzhou Auntea Jenny Industrial Co., Ltd. (杭州滬上阿姨實業有限公司), a limited liability company established under the laws of the PRC on August 28, 2023 and one of our subsidiaries
"Hanshuai Investment"	Guangzhou Hanshuai Venture Capital Partnership (Limited Partnership) (廣州瀚率創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 19, 2023 and one of our Pre-[**REDACTED**] Investors
	[**REDACTED**]
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong dollars," "HK dollars" or "HK$" and "cents"	Hong Kong dollars, 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]
"IFRS"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and Interpretation issued by the International Accounting Standards Committee
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
"InnoVision Capital"	Zhuhai Hengqin Zhiyi Qianrui Investment Partnership (Limited Partnership) (珠海橫琴知壹乾睿投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 21, 2023 and one of our Pre-**[REDACTED]** Investors

[REDACTED]

"Jinyi Capital"	Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) (珠海金鎰銘股權投資基金合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on March 5, 2018 and one of our Pre-[**REDACTED**] Investors
"Jinxiao Investment"	Gongqingcheng Jinxiao Venture Capital Partnership (Limited Partnership) (共青城金鴞創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on June 7, 2023 and one of our Pre-[**REDACTED**] Investors

[REDACTED]

[REDACTED]

"Joint Sponsors"	the joint sponsors as named in "Directors, Supervisors and Parties Involved in the **[REDACTED]**"
"Latest Practicable Date"	[February 9, 2024], being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[REDACTED]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Lower-tier markets"	Third and lower-tier cities
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
"MIIT"	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), formerly known as Ministry of Information Industry of the PRC (中華人民共和國信息產業部)
"Ministry of Finance" or "MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)

"Mr. Shan"	Mr. Shan Weijun (單衛鈞先生), the co-founder, chairperson of the Board, executive Director and chief executive officer of our Company, one of our Controlling Shareholders. Mr. Shan is the spouse of Ms. Zhou
"Ms. Zhou"	Ms. Zhou Rongrong (周蓉蓉女士), the co-founder, executive Director and deputy chief executive officer of our Company, one of our Controlling Shareholders. Ms. Zhou is the spouse of Mr. Shan
"Nanjing Xiangzhong"	Nanjing Xiangzhong Venture Capital Partnership (Limited Partnership) (南京祥仲創業投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on November 27, 2020 and one of our Pre-**[REDACTED]** Investors
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會)

[REDACTED]

[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)
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles of PRC
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Legal Advisor"	Zhong Lun Law Firm, the legal advisor to our Company as to the laws of the PRC
"Pre-**[REDACTED]** Investments"	the pre-**[REDACTED]** investment(s) in our Group undertaken by the Pre-**[REDACTED]** Investors, details of which are set out in "History, Development and Corporate Structure — Pre-**[REDACTED]** Investments"
"Pre-**[REDACTED]** Investor(s)"	the investor(s) who participated in our Pre-**[REDACTED]** Investments, details of which are set out in the section headed "History, Development and Corporate Structure — Pre-**[REDACTED]** Investments"
	[REDACTED]
"document"	this document being issued in connection with the **[REDACTED]**
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIB" or "Qualified Institutional Buyer"	a qualified institutional buyer within the meaning of Rule 144A

"Regulation S"	Regulation S under the U.S. Securities Act
"Revised CAC Measures"	Measures for Cybersecurity Review (《網絡安全審查辦法》)
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAT"	State Administration of Taxation of the PRC (國家稅務總局)
"SCNPC"	the Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"Series A Financing"	the financing of our Company in November 2020, details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"Series A+ Financing"	the financing of our Company in October 2021, details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"Series B Financing"	the financing of our Company in July 2023, details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"Series C Financing"	the financing of our Company in February 2024, details of which are set out in the section headed "History, Development and Corporate Structure" in this document
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shanghai Pangjia"	Shanghai Pangjia Network Technology Co., Ltd. (上海龐嘉網絡科技有限公司), a limited liability company incorporated under the laws of the PRC on 9 April 2021 and one of our major subsidiaries
"Shanghai Pangyi"	Shanghai Pangyi Industrial Co., Ltd. (上海龐逸實業有限公司), a limited liability company established under the laws of the PRC on October 11, 2023 and one of our subsidiaries
"Shanghai Puhai"	Shanghai Puhai Enterprise Management Co., Ltd. (上海璞海企業管理有限公司), a limited liability company established under the laws of the PRC on August 21, 2018 and one of our Controlling Shareholders
"Shanghai Ruizhong"	Shanghai Ruizhong Industrial Co., Ltd. (上海睿眾實業有限公司), a limited liability company incorporated under the laws of the PRC on 29 December 2020 and one of our major subsidiaries
"Shanghai Senqian"	Shanghai Senqian Technology Development Co., Ltd. (上海森乾科技發展有限公司), a limited liability company established under the laws of the PRC on June 29, 2023 and one of our subsidiaries
"Shanghai Senrui"	Shanghai Senrui Enterprise Management Partnership (Limited Partnership) (上海森芮企業管理合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on August 13, 2018 and one of our Controlling Shareholders
"Shanghai Senying"	Shanghai Senying Catering Management Co., Ltd. (上海森鷹餐飲管理有限公司), a limited liability company incorporated under the laws of the PRC on 8 June 2017 and one of our major subsidiaries
"Shanghai Shenpu"	Shanghai Shenpu Supply Chain Management Co., Ltd. (上海神璞供應鏈管理有限公司), a limited liability company established under the laws of the PRC on January 30, 2024 and one of our subsidiaries
"Shanghai Shenyu"	Shanghai Shenyu Investment Management Co., Ltd. (上海神域投資管理有限公司), a limited liability company established under the laws of the PRC on May 5, 2015 and one of our subsidiaries

"Shanghai Yipu"	Shanghai Yipu Enterprise Management Co., Ltd. (上海一僕企業管理有限公司), a limited liability company established under the laws of the PRC on May 14, 2014 and one of our Pre-**[REDACTED]** Investors
"Shanghai Yuchao"	Shanghai Yuchao Enterprise Management Partnership (Limited Partnership) (上海禹超企業管理合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on September 5, 2018 and one of our Controlling Shareholders
"Shanghai Yuhong"	Shanghai Yuhong Enterprise Management Partnership (Limited Partnership) (上海禹翃企業管理合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 13, 2023
"Shanghai Yuyun"	Shanghai Yuyun Enterprise Management Partnership (Limited Partnership) (上海禹鋆企業管理合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on July 13, 2023
"Share(s)"	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shibei Hi-tech"	Shanghai Shibei High-tech Venture Capital Partnership (Limited Partnership) (上海市北高新創業投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on September 2, 2020 and one of our Pre-**[REDACTED]** Investors
"SOE(s)"	state-owned enterprise(s)
	[REDACTED]
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance

"Supervisor(s)"	member(s) of our Board of Supervisors
"Suzhou Yizhong"	Suzhou Yizhong Venture Capital Partnership (Limited Partnership) (蘇州宜仲創業投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on June 1, 2017 and one of our Pre-**[REDACTED]** Investors
"Suzhou Xiangzhong"	Suzhou Xiangzhong Venture Capital Partnership (Limited Partnership) (蘇州祥仲創業投資合夥企業(有限合夥)), a limited partnership incorporated under the laws of the PRC on November 11, 2020 and one of our Pre-**[REDACTED]** Investors
"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 years ended December 31, 2021, 2022 and the nine months ended September 30, 2023

[REDACTED]

"US" or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated under it
"VAT"	value-added tax
"WABC"	Word of Art Brut Culture

[REDACTED]

"Yinlin Investment"	Xiamen Yinlin Equity Investment Partnership (Limited Partnership) (廈門銀麟股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on May 18, 2021 and one of our Pre-[**REDACTED**] Investors
"Yiyu Consulting"	Shanghai Yiyu Investment Consulting Co., Ltd. (上海頤玉投資諮詢有限責任公司), a limited liability company incorporated under the laws of the PRC on July 16, 2013 and one of our Pre-[**REDACTED**] Investors
"Zhejiang Senyi"	Zhejiang Senyi Food Technology Co., Ltd. (浙江森逸食品科技有限公司), a limited liability company incorporated under the laws of the PRC on 23 June 2021 and one of our major subsidiaries
"%"	per cent

In this document, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "controlling shareholder" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

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

"active member"	members that purchased our products through our Weixin Mini Programs in a given period
"AI"	artificial intelligence
"AIoT"	Artificial Intelligence of Things
"API system"	application programming interface system
"CAGR"	compound annual growth rate
"Douyin"	Douyin (抖音), a leading social media short-form video app in China for creating and sharing short lip-sync, comedy and talent videos
"ERP system"	enterprise resource planning system
"first-tier cities"	for the purpose of this document, Beijing, Shanghai, Guangzhou and Shenzhen, which are determined in accordance with the Ranking of Chinese Cities' Business Attractiveness 2023 (2023城市商業魅力排行榜) published by China's leading media concern YiCai (第一財經), a ranking of China's cities by indexes such as concentration of commercial resources, city as a hub, urban residents' activity, lifestyle diversity and future potential
"FPS"	franchisee procurement system
"GMV"	gross merchandise value, the total sales value of merchandise sold over a given period of time
"key opinion leader" or "KOL"	an influential individual on a social platform that consumers trust with purchasing decisions and popular opinions
"KOL"	key opinion leader
"KPIs"	key performance indicators

"Low-code platform"	A low-code platform provides a development environment used to create application software through a graphical user interface. A low-code platform may produce entirely operational applications or require additional coding for specific situations. Low-code platforms can reduce the amount of traditional time spent, enabling accelerated delivery of business application
"MES"	manufacturing execution system
"MOST"	material overall tracking system, a system that we use to trace the raw materials, production process, transportation and storage condition of the ingredients we procure which includes FPS, WMS, SRM system, OMS, MES and ERP system
"new first-tier cities"	for the purpose of this document, Chengdu, Xi'an, Wuhan, Suzhou, Zhengzhou, Chongqing, Hangzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Hefei, Kunming and Qingdao, which are determined in accordance with the Ranking of Chinese Cities' Business Attractiveness 2023 (2023城市商業魅力排行榜) published by China's leading media concern YiCai (第一財經), a ranking of China's cities by indexes such as concentration of commercial resources, city as a hub, urban residents' activity, lifestyle diversity and future potential
"NFC juice"	juice not from concentrate, products that are obtained by pressing fruit, separating from pulp and debris to the required level then pasteurizing and packaging into containers
"OMS"	order management system
"PLA"	plant-based polylactic acid
"repeat purchase rate"	calculated by dividing, among those that had become our registered members on our Weixin Mini Programs before the first day of a given period, (i) the number of our members that placed at least two orders through our Weixin Mini Programs in a given period, by (ii) the number of our active members in the same period

"second-tier cities"	for the purpose of this document, 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, which are determined in accordance with the Ranking of Chinese Cities' Business Attractiveness 2023 (2023城市商業魅力排行榜) published by China's leading media concern YiCai (第一財經), a ranking of China's cities by indexes such as concentration of commercial resources, city as a hub, urban residents' activity, lifestyle diversity and future potential
"SKU"	stock keeping unit
"SRM system"	supplier relationship management system
"System-wide stores"	all stores in our network, including self-operated and franchised stores
"sq.m."	square meters
"third-tier cities"	for the purpose of this document, Lanzhou, Haikou, Urumqi, Luoyang, Langfang, Shantou, Huzhou, Xianyang, Yancheng, Jining, Hohhot, Yangzhou, Ganzhou, Fuyang, Tangshan, Zhenjiang, Handan, Yinchuan, Nanyang, Guilin, Taizhou, Zunyi, Jiangmen, Jieyang, Wuhu, Shangqiu, Lianyungang, Xinxiang, Huai'an, Zibo, Mianyang, Heze, Zhangzhou, Zhoukou, Cangzhou, Xinyang, Hengyang, Zhanjiang, Sanya, Shangrao, Xingtai, Putian, Liuzhou, Suqian, Jiujiang, Xiangyang, Zhumadian, Yichang, Yueyang, Zhaoqing, Chuzhou, Weihai, Dezhou, Tai'an, Anyang, Jingzhou, Nanchong, Anqing, Chaozhou, Qingyuan, Huanggang, Suzhou, Zhuzhou, Bengbu, Changde, Ningde, Lu'an, Yichun, Liaocheng and Weinan, which are determined in accordance with the Ranking of Chinese Cities' Business Attractiveness 2023 (2023城市商業魅力排行榜) published by China's leading media concern YiCai (第一財經), a ranking of China's cities by indexes such as concentration of commercial resources, city as a hub, urban residents' activity, lifestyle diversity and future potential

"orders directly placed with us"	including orders placed through our Weixin Mini Programs and over the counter
"Weibo"	Sina Weibo (新浪微博), a Chinese microblogging (Weibo) website and social media platform
"Weixin"	Weixin (微信), a Chinese instant messaging, social media and mobile payment app
"WMS"	warehouse management system