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Application Proof of



華潤飲料(控股)有限公司

China Resources Beverage (Holdings) Company Limited

(Registered by way of continuation in the Cayman Islands with limited liability)

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華潤飲料(控股)有限公司

China Resources Beverage (Holdings) Company Limited

(Registered by way of continuation in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under : [REDACTED] Shares (subject to the
the [REDACTED] [REDACTED])
Number of [REDACTED] : [REDACTED] Shares (subject to
reallocation)
Number of [REDACTED] : [REDACTED] Shares (subject to
reallocation and the [REDACTED])
Maximum [REDACTED] : HK\$[REDACTED] per Share plus
brokerage of 1.0%, SFC transaction
levy of 0.0027%, AFRC transaction
levy of 0.00015% and Hong Kong
Stock Exchange trading fee of
0.00565% (payable in full on
application in Hong Kong dollars and
subject to refund)
Nominal value : US\$0.0000005 per Share
[REDACTED] : [REDACTED]

Joint Sponsors, [REDACTED], [REDACTED], [REDACTED] and [REDACTED]
(in alphabetical order)

BofA SECURITIES 

 中銀國際
BOC INTERNATIONAL

 CITIC SECURITIES

 UBS 瑞銀集團

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A copy of this document, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display" in Appendix V to this document, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this document or any other document referred to above.

The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] (Hong Kong time) and, in any event, not later than [REDACTED] (Hong Kong time). The [REDACTED] will be not more than HK\$[REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by [REDACTED] (Hong Kong time) between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse.

Applicants for [REDACTED] may be required to pay, on application (subject to application channels), the maximum [REDACTED] of HK\$[REDACTED] for each [REDACTED] together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and a Hong Kong Stock Exchange trading fee of 0.00565%, subject to refund if the [REDACTED] as finally determined is less than HK\$[REDACTED].

The [REDACTED], (for themselves and on behalf of the [REDACTED]), and with our consent may, where considered appropriate, reduce the number of [REDACTED] and/or the indicative [REDACTED] below that is stated in this document (which is HK\$[REDACTED] to HK\$[REDACTED]) at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] will be published on the website of our Company at www.crbeverage.com and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors" in this document. The obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for themselves and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. See "[REDACTED]" of this document.

The [REDACTED] have not been and will not be registered under the [REDACTED] or any state securities law in the United States and may be [REDACTED] and [REDACTED] only (a) in the United States to "[REDACTED]" in reliance on [REDACTED] under the [REDACTED] or another exemption from, or in a transaction not subject to, the registration requirements under the [REDACTED] and (b) outside the United States in an offshore [REDACTED] in accordance with [REDACTED] under the [REDACTED].

[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be in conjunction with, the full text of this document. You should read the entire document 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 “Risk Factors” in this document. You should read that section carefully before you decide to invest in the [REDACTED].

WHO WE ARE

We are a pioneer in China’s packaged drinking water industry and a leader in China’s RTD soft beverage industry. According to the CIC Report, we were one of the first enterprises specializing in the production of packaged drinking water in China. After four decades of development, we have grown into the second largest company in the packaged drinking water market in China and the largest company in the purified drinking water market in China by retail sales value in 2023. The retail sales value of our “C’estbon” purified drinking water products reached RMB39.5 billion in 2023, standing as the number one brand in China’s purified drinking water market, according to the CIC Report. We have taken a growth trajectory similar to that of prominent global RTD soft beverage companies to expand and grow from a core product category with market leading position to other categories, propelling us to a leading position across various core product categories within China’s RTD soft beverage industry. We centered on packaged drinking water while innovatively diversifying our beverage offerings, reinforcing our multi-category strategic roadmap of “one flagship brand accompanied by a spectrum of popular brands (一超多強)” and vigorously engaging in R&D and innovation to capture the expansive market opportunities. In 2023, according to the CIC Report, we ranked fifth in terms of retail sales value among China’s RTD soft beverage companies, showcasing our leading position in packaged drinking water and beverage products.

According to the CIC Report, among the top five RTD soft beverage companies in China in terms of retail sales value in 2023, we ranked in the top two, in terms of CAGR from 2021 to 2023, for both retail sales value and net profit. Anchored on our “C’estbon” (“怡寶”) brand, and rooted in the success of our purified drinking water products, we persistently enhance our product portfolio of packaged drinking water products through diversification of water types and expansion of product specifications, catering to a wide range of consumption scenarios including outdoor, indoor, business, catering and sports. For example, we strategically developed our medium- to large-sized packaged drinking water, which, during the Track Record Period, achieved a CAGR exceeding 10% in both revenue and sales volume, and its revenue share within our packaged drinking water products increased steadily year on year. Leveraging our deeply rooted brand image of “healthy, safe, professional (健康、安全、專業)” established in the packaged drinking water market, along with our valuable assets including our extensive nationwide sales network and production capacity layout, we strategically expanded our presence across multiple core product categories in China’s RTD soft beverage industry, which have been validated by the market and exhibit considerable growth potential. According to the CIC Report, among the top 10 RTD soft beverage companies in China in terms of retail sales value in 2023, our beverage products, recorded the highest retail sales value growth rate in terms of CAGR from 2021 to 2023. We have successfully crafted multiple hit products under our renowned brands, propelling us to a leading position across various core product categories within China’s RTD soft beverage industry. According to the CIC Report, in terms of retail sales value in 2023, we ranked among top 10 in various core RTD beverage categories of China, including tea beverage, juice beverage and coffee beverage; notably, our market share ranked first in China’s chrysanthemum tea beverage market and second in the flavored water market.

CR Group, one of our Controlling Shareholders, is a leading state-owned conglomerate headquartered in Hong Kong which ranked 74th in the Fortune Global 500 in 2023. Its core businesses include consumer goods, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors. Under the CR Group, eight companies are listed on the Hong Kong Stock Exchange and nine companies are listed on the A-share market in Mainland China. Notably, CR Beer, CR Power, CR Land and CR Mixc are

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constituents of the Hang Seng Index in Hong Kong. As a dedicated RTD soft beverage enterprise within the CR Group, we play a significant role in the CR Group’s consumer goods arm. Our corporate culture aligns with that of the CR Group and its associated business units. Benefiting from synergies in various areas including our sales channels, digitalization, raw material procurement, construction management and ESG initiatives, we are able to further improve our operational efficiency, enhance our market share and amplify our brand’s influence. We actively uphold our social responsibility, consistently adhering to the quality value of “integrity cultivates quality; responsibility yields excellence (誠信出良品, 責任出精品).” In 2019, our “C’estbon” brand was honored as the “Official Drinking Water of TEAM CHINA” and supplied safe and healthy packaged drinking water and beverage products to over 70 Chinese national sports teams, providing professional and healthy replenishment. Embodying our brand slogan “Your and My C’estbon (你我的怡寶)” and our brand spirit “safe, healthy and wonderful life (安全、健康、美好的生活)”, we continue to deliver healthy and quality products to consumers, promoting “C’estbon” to become a deeply trusted and widely recognized national brand.

OUR BUSINESS MODEL

We are committed to providing our consumers with high-quality RTD beverage products that promote a healthy and positive lifestyle. To this end, we closely track shifts in lifestyle trends and developments in consumer needs, and proactively conduct product R&D to continually enrich our offerings. Our marketing strategy, highlighted by sports marketing, has been a key component of the growth of our brands. Since 2013, we have sponsored marathon events and other sports events. We have been the partner of the Chinese national team, TEAM CHINA, since 2019, reinforcing our brand image of “healthy, safe, professional.” As of the Latest Practicable Date, we had a product portfolio of 13 brands, mainly including “C’estbon,” “Zhi Ben Qing Run” (“至本清潤”), “Mi Shui Series” (“蜜水系列”), “Holiday Series” (“假日系列”) and “Zuo Wei Cha Shi” (“佐味茶事”), comprising a total of 56 SKUs. Our diverse product offering covers core product categories in China’s RTD soft beverage market, such as packaged drinking water, tea beverage and juice beverage, among others. Through years of endeavor, we have continually cultivated a strategic roadmap of “one flagship brand accompanied by a spectrum of popular brands” across multiple product categories. With our “C’estbon” leading the way as the number one brand in China’s purified drinking water market, we innovatively established a robust portfolio of other beverage brands to further strengthen our market position. The picture below shows our packaged drinking water and beverage products as of the Latest Practicable Date.



We primarily generate revenue by the sales of products through our nationwide sales and distribution network. During the Track Record Period, we cooperated with over 1,000 distributors covering over two million retail points of sale in China accumulatively. According to the CIC Report, in 2023, in terms of regional presence, our packaged drinking water products held the highest market share in the packaged drinking water market in six major Chinese provinces, namely Guangdong, Hunan, Sichuan, Hainan, Guangxi and Hubei. According to the CIC Report, the packaged drinking water market in these six provinces represented approximately 30% of the total market size of the packaged drinking water market in China during 2023, making these provinces the core market for packaged drinking water consumption. Our leading position in these core markets is a testament to our robust competitive edge, and we are committed to further extending our reach into additional markets. We also ranked among the top three in the packaged drinking water market of another 17 provinces of China in 2023, and the size of the packaged drinking water market in these 17 provinces accounted for approximately 60% of the total market size of the packaged drinking water market in China, according to the CIC Report. Aligned with our nationwide sales

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network, we have also strategically positioned our comprehensive production capacity layout, implemented a rigorous quality control system and established digitalized supply chain management capability spanning the entire nation.

COMPETITIVE STRENGTHS AND BUSINESS STRATEGY

Our Strengths

We believe that our business success and leading market position are underpinned by the following key strengths:

- Pioneer in the packaged drinking water market in China and leader in the RTD soft beverage market in China with strong growth and increasing profitability;
- Strategic deployment of sports marketing to convey our brand image of “healthy, safe, professional” and comprehensively reach a broader consumer base through diversified marketing approaches;
- Solidified strategic roadmap of “one flagship brand accompanied by a spectrum of popular brands” and vigorous efforts in R&D and innovation to capture strong market potentials;
- Adhere to “delicate cultivation for triumphing at the end market (精耕細作, 決勝終端)” and establish our sales and distribution network with strong control and high efficiency;
- Comprehensive production capacity layout synergizing with nationwide sales network to continually reduce cost and enhance efficiency;
- Adhering to “responsibility serving as the cornerstone of our brand (品牌基石, 責任為先)” to exemplify corporate responsibility and promote green and sustainable development; and
- Visionary management leadership and dedicated strategic support from shareholders.

Our Strategies

We plan to implement the following strategies:

- Enhance channel efficiency and expedite the expansion of comprehensive channel network;
- Expand and optimize production capabilities to improve supply chain effectiveness;
- Uphold sports marketing strategies to strengthen brand recognition and enhance consumer interaction;
- Accelerate product category expansion and increase investment in R&D;
- Integrate the industry value chain and explore potential acquisitions to capitalize on market opportunities and drive business growth;
- Promote technological innovation and drive digital transformation to optimize operational efficiency; and
- Persistently strive to attract, cultivate and retain top talents to drive organizational advancement.

SUMMARY

OUR BRANDS AND PRODUCTS

The following table sets forth our revenue by product category for the periods indicated:

| | Year ended December 31, | | | | | |
|--|---|--------------|-------------------|--------------|-------------------|--------------|
| | 2021 | | 2022 | | 2023 | |
| | Amount | % | Amount | % | Amount | % |
| | <i>(RMB in thousands, except for percentages)</i> | | | | | |
| Packaged drinking water products . . . | 10,817,805 | 95.4 | 11,905,738 | 94.3 | 12,446,560 | 92.1 |
| Small-sized bottled water products ⁽¹⁾ . . . | 6,922,561 | 61.0 | 7,484,417 | 59.3 | 7,715,685 | 57.1 |
| Medium- to large-sized bottled water products ⁽²⁾ | 3,469,225 | 30.6 | 3,962,285 | 31.4 | 4,242,914 | 31.4 |
| Barreled water products ⁽³⁾ | 426,019 | 3.8 | 459,036 | 3.6 | 487,961 | 3.6 |
| Beverage products . . . | 522,076 | 4.6 | 717,038 | 5.7 | 1,068,168 | 7.9 |
| Total | 11,339,881 | 100.0 | 12,622,776 | 100.0 | 13,514,728 | 100.0 |

Notes:

- (1) Small-sized bottled water products refer to packaged drinking water products with an individual container volume of no more than 1L.
- (2) Medium- to large-sized bottled water products refer to packaged drinking water products with an individual container volume between 1L and 15L.
- (3) Barreled water products refer to packaged drinking water products with an individual container volume of 18.9L.

As of the Latest Practicable Date, we had a product portfolio of 13 brands, comprising a total of 56 SKUs. The following table sets forth certain key information of our main products by brand and product category as of the Latest Practicable Date:

| Product Category | Brand | Description | Brand Launch Time | Individual Container Volume | Suggested Retail Price to End Customers | Number of SKUs |
|--|---------------------------------|--|-------------------|---|---|----------------|
| Packaged drinking water products | C'estbon (怡寶) | Bottled/barreled purified drinking water | 1990s | 350ml, 400ml, 555ml, 1.18L, 1.55L, 2.08L, 4.5L, 6L, 12.8L and 18.9L | RMB1.5 to RMB23 | 10 |
| | | Bottled purified drinking water and natural drinking water | | 520ml and 5L | N/A ⁽¹⁾ | 3 |
| | L'eau (怡寶露) | Premium natural mineral water in glass bottles | 2022 | 350ml and 750ml | RMB15.0 to RMB30.0 | 2 |
| | Bonjour Forêt (本優) | Bottled natural mineral water | 2023 | 350ml and 555ml | RMB1.5 to RMB2.0 | 2 |
| | Jialinshan (加林山) | Barreled natural mineral water and purified drinking water | 2010 | 18.9L | RMB18.0 to RMB22.0 | 2 |
| | FEEL (FEEL氣泡蘇打水) ⁽²⁾ | Canned/bottled sparkling water | 2022 | 330ml and 480ml | RMB3.0 to RMB4.0 | 4 |

SUMMARY

| Product Category | Brand | Description | Brand Launch Time | Individual Container Volume | Suggested Retail Price to End Customers | Number of SKUs |
|---------------------------------|--|---------------------------|---------------------|-------------------------------|---|----------------|
| Tea beverage products | Zhi Ben Qing Run (至本清潤) ⁽³⁾ | Herbal-based tea beverage | 2021 | 310ml, 450ml, 1L and 1.5L | RMB3.0 to RMB8.5 | 8 |
| | Zuo Wei Cha Shi (佐味茶事) | Sugar-free tea beverage | 2019 | 430ml | RMB5.0 | 3 |
| | Gogo-no-Kocha milk tea (午後奶茶) | Milk tea beverage | 2011 ⁽⁴⁾ | 430ml and 500ml | RMB4.0 to RMB5.0 | 3 |
| Juice beverage products | Mi Shui Series (蜜水系列) | Flavored water | 2018 | 350ml and 480ml | RMB4.0 to RMB5.0 | 5 |
| | Holiday Series (假日系列) | Low-concentration juice | 2019 | 440ml and 1.5L | RMB4.0 to RMB8.5 | 5 |
| | Sekai-no-Kitchen (源自世界的廚房) | Low-concentration juice | 2022 | 500ml | RMB5.0 | 1 |
| Other products . . | Mulene (魔力) | Sports drinks | 2011 ⁽⁴⁾ | 500ml | RMB5.0 | 3 |
| | FIRE (火咖) | Coffee beverage | 2011 ⁽⁴⁾ | 180ml, 260ml, 280ml and 440ml | RMB3.5 to RMB6.0 | 5 |

Notes:

- (1) As of the Latest Practicable Date, certain bottled water SKUs under our C'estbon brand were not available for retail sales.
- (2) We have two SKUs of carbonated beverage under the brand FEEL, representing the lime-flavored canned and bottled sparkling water, in 330ml and 480ml, respectively.
- (3) We have one SKU of juice beverage under the brand Zhi Ben Qing Run, representing the Zhi Ben Qing Run sour plum drink in 450ml.
- (4) Brand launch time of Gogo-no-Kocha milk tea, Mulene and FIRE refers to the time when we established our strategic collaboration with KIRIN brand and started to sell these products as part of our product portfolio.

See “Business — Our Products and Brands.”

OUR SALES NETWORK

We have built an extensive sales network to reach a wide range of consumers, enhancing our brand reputation and solidifying our competitive advantages. After years of efforts, we have established a comprehensive distributor network, comprising of distributors and sub-distributors, which allows us to effectively reach a broad base of consumers and covers all of our sales channels, including traditional channel, modern channel, catering channel, specialty channel, e-commerce channel and other channels. We also maintain direct sales relationships with certain customers, such as well-known national supermarkets, chain convenience stores and e-commerce platforms. The following table sets forth a breakdown of our revenue by contribution from our customers for the periods indicated:

| | Year ended December 31, | | | | | |
|---------------------------|--|--------------|-------------------|--------------|-------------------|--------------|
| | 2021 | | 2022 | | 2023 | |
| | Amount | % | Amount | % | Amount | % |
| | <i>(RMB in thousands, except percentage)</i> | | | | | |
| Distributorship | 9,963,166 | 87.9 | 11,098,215 | 87.9 | 11,785,382 | 87.2 |
| Direct sales | 1,376,715 | 12.1 | 1,524,561 | 12.1 | 1,729,346 | 12.8 |
| Total | 11,339,881 | 100.0 | 12,622,776 | 100.0 | 13,514,728 | 100.0 |

SUMMARY

We price our products based on various factors, such as product positioning, production costs, market competition and reasonable profit level of distributors and direct sales customers in our sales network. We provide our distributors and direct sales customers with suggested retail prices of our products. Our distributors and direct sales customers shall not take any actions that may materially disrupt the retail prices of our products. See “Business — Our Sales Network.”

MARKETING AND BRANDING

We adopt a multifaceted marketing strategy designed to connect with our audience and promote our brand in meaningful and impactful ways such as sports marketing, variety show marketing and in-transit marketing initiatives, enabling us to maintain a strong presence in the daily lives of our consumers. We have formed our marketing strategy highlighted by sports marketing, given the overlaps and connections between our product consumption scenarios and sports events. We have been actively promoting sports for all and health for all through sponsoring TEAM CHINA, premier sports events, marathon events, other general public sports events and collaborating with national sports channels (such as CCTV-5). Our diverse marketing strategy allows us to effectively communicate our brand values, engage with our audience on multiple platforms and drive business growth. See “Business — Marketing and Branding.”

CUSTOMERS

During the Track Record Period, our customers are distributors, who purchase and distribute our products, and direct sales customers. Except for Customer E who was our direct sales customer, all of our five largest customers in 2021, 2022 and 2023 were our distributors. See “Business — Our Sales Network.” Revenue generated from our five largest customers for 2021, 2022 and 2023 accounted for 20.7%, 18.2% and 17.6%, respectively, of our total revenues during those respective periods. Revenue generated from our largest customer for 2021, 2022 and 2023 accounted for 8.4%, 7.3% and 7.1%, respectively, of our total revenues during those respective periods.

OUR PRODUCTION

As of December 31, 2023, we had 12 self-owned factories in operation and 34 Cooperative Manufacturing Partners in China, producing packaged drinking water and beverage products. Combining the production of our self-owned factories in operation and Cooperative Manufacturing Partners as a whole, our annual standard production capacity of packaged drinking water and beverage products was 18.8 million tons as of December 31, 2023, while our total annual actual production volume of packaged drinking water and beverage products combined was 13.5 million tons in 2023. We have automated, advanced and highly efficient production capacity, in seamless alignment with our nationwide sales network. As of December 31, 2023, we have 47 self-owned production lines and 81 production lines owned by our Cooperative Manufacturing Partners, many of which are equipped with integrated high-speed production lines imported from Europe. We have also introduced world-leading aseptic production lines to produce our beverage products. See “Business — Our Production.”

RAW MATERIALS AND PACKAGING MATERIALS

The principal raw materials and packaging materials we use in the production of our products include PET, cardboard, bottle caps, labels, milk powder and sugar. Among them, PET is used in manufacturing bottles and is our major raw materials and packaging materials. In 2021, 2022 and 2023, purchases of PET amounted to RMB1,665.2 million, RMB2,165.6 million and RMB1,992.7 million, respectively, accounting for approximately 21.8%, 25.2% and 23.6% of our total purchases during the same periods, respectively.

SUMMARY

SUPPLIERS

Our major suppliers are suppliers of raw materials and packaging materials, providers of logistics services, marketing services and warehousing services and our Cooperative Manufacturing Partners. CR Chemical, our largest supplier during the Track Record Period, will become our connected person (as defined under Chapter 14A of the Listing Rules) upon [REDACTED]. See “Connected Transactions.” The purchase amounts from our largest supplier for the years ended December 31, 2021, 2022 and 2023 accounted for 7.0%, 9.7% and 11.0%, respectively, of our total purchase amount during those periods. The aggregate purchase amounts from our five largest suppliers for the years ended December 31, 2021, 2022 and 2023 accounted for 31.0%, 33.5% and 33.2%, respectively, of our total purchase amount during those periods.

QUALITY CONTROL

We place great emphasis on the quality of our products, which we believe is vital to our sustainable business growth. We perform various quality inspection and testing procedures, including visual inspection, physical and chemical inspection, microbiological testing and weight checks at different stages throughout our operations, to ensure that our products meet the relevant quality standards and comply with applicable laws and regulations. We implemented our proprietary “China Resources C’estbon Full Value Chain Food Safety and Quality Management System” (“華潤怡寶全價值鏈食品安全與質量管理體系”), a SPM system, and have constantly and meticulously refined the system over the years of its operation to cover every aspect of our supply chain, production process and finished product management. See “Business — Quality Control.”

COMPETITIVE LANDSCAPE

According to the CIC Report, the RTD soft beverage market in China, in terms of retail sales value, is expected to expand to RMB1,203.2 billion by 2028. The RTD soft beverage market is relatively concentrated in China, with the five largest players contributing a 42.6% market share in terms of retail sales value in 2023, which is expected to continue to rise. The leading players are expected to maintain and increase their market shares, capitalizing on well-established brand recognition, sales channel presence, comprehensive product portfolio and R&D capabilities. According to the CIC Report, we ranked fifth in terms of retail sales value in the RTD soft beverage market in China in 2023.

According to the CIC Report, the size of the packaged drinking water market in China by retail sales value was RMB215.0 billion in 2023, growing at a CAGR of 7.1% from 2018 to 2023 and is expected to reach RMB314.3 billion by 2028, growing at a CAGR of 7.9% from 2023 to 2028. This market accounted for 23.6% of the RTD soft beverage market in China by retail sales value in 2023, which is expected to increase to 26.1% by 2028. The concentration of the packaged drinking water market in China is continuously increasing, with the total market share of the five largest players in terms of retail sales value increasing from 56.2% to 58.6% from 2021 to 2023. Purified drinking water is the largest segment of the packaged drinking water market in China in terms of retail sales value, reaching RMB120.6 billion in 2023, accounting for 56.1% of the packaged drinking water market in China. This segment is expected to experience continual growth, reaching RMB179.8 billion in terms of retail sales value, accounting for 57.2% of the packaged drinking water market in China in 2028. We ranked second in the packaged drinking water market in China in 2023, and ranked first in the purified drinking water market in China in terms of retail sales value. According to the CIC Report, our market share in the packaged drinking water market and the purified drinking water market, in terms of retail sales value, was 18.4% and 32.7%, respectively in 2023. See “Industry Overview.”

SUMMARY

RISK FACTORS

Our business and the [REDACTED] involve certain risks as set out in “Risk Factors” in this document. You should read that section in its entirety carefully before you decide to invest in our Shares. We believe the most significant risks we face include but are not limited to the following: (i) we may not effectively respond to changing consumer tastes, preferences and spending habits, whether by enhancing our current products, undertaking the process of developing, launching and promoting any new product, or responding to changes in the distribution channels, which could impact our business and financial performance; (ii) we are operating in a highly competitive market; (iii) product defects, product contamination or other product quality and food safety issues related to our products, or concerns about the safety, quality or health effects of our products could damage our reputation, and may materially and adversely affect our business and results of operations; (iv) we may not be able to effectively manage and develop our distribution network and other sales channels, or efficiently sustain our business relationships with or manage our customers, which could adversely affect our brands, operations and results of operations; and (v) the price volatility, declining quality or other risks related to the supply of our raw materials and packaging materials may materially and adversely affect our business and profitability.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below present our summary of consolidated financial data derived from our consolidated statements of profit or loss and other comprehensive income and consolidated cash flow statements for the years ended December 31, 2021, 2022 and 2023, and our consolidated statements of financial position as of December 31, 2021, 2022 and 2023, included in the Accountants’ Report in Appendix I to this document. The following data and discussion should be read in conjunction with our consolidated financial statements and related notes and the section headed “Financial Information.”

Key Items of the Consolidated Statements of Profit or Loss

The following table sets forth certain key items of our consolidated statements of profit or loss for the periods indicated:

| | Year ended December 31, | | |
|---|---------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Revenue | 11,339,881 | 12,622,776 | 13,514,728 |
| Cost of sales | (6,368,515) | (7,363,672) | (7,479,514) |
| Gross profit | 4,971,366 | 5,259,104 | 6,035,214 |
| Other income | 295,956 | 340,172 | 367,246 |
| Other gains and losses | (10,577) | (3,187) | (14,622) |
| Impairment losses under expected credit loss model, net of reversal | 9,480 | (27,222) | (3,817) |
| Distribution and selling expenses | (3,756,727) | (3,877,617) | (4,086,510) |
| Administrative expenses | (253,238) | (265,029) | (300,562) |
| Research and development costs | (48,979) | (49,179) | (61,510) |
| Finance costs | (1,782) | (1,617) | (42,516) |
| [REDACTED] expenses | — | — | (14,490) |
| Profit before taxation | 1,205,499 | 1,375,425 | 1,878,433 |
| Income tax expense | (347,358) | (386,704) | (547,063) |
| Profit for the year | 858,141 | 988,721 | 1,331,370 |

See “Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss.”

SUMMARY

Selected Items from the Consolidated Statements of Financial Position

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

| | As of December 31, | | |
|---|---------------------------|-------------------|-------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Total current assets | 7,199,084 | 7,630,494 | 5,557,977 |
| Total non-current assets | 1,889,356 | 2,974,350 | 7,443,777 |
| Total assets | 9,088,440 | 10,604,844 | 13,001,754 |
| Total current liabilities | 4,185,842 | 4,329,442 | 5,188,357 |
| Total non-current liabilities | 318,627 | 379,624 | 440,624 |
| Total liabilities | 4,504,469 | 4,709,066 | 5,628,981 |
| Net current assets | 3,013,242 | 3,301,052 | 369,620 |
| Total equity | 4,583,971 | 5,895,778 | 7,372,773 |

Our net current assets decreased to RMB369.6 million as of December 31, 2023 from RMB3,301.1 million as of December 31, 2022, primarily due to: (i) combination effect of a decrease in our amounts due from fellow subsidiaries of RMB3,536.6 million and an increase of long-term fixed bank deposits of RMB1,577.1 million; and (ii) an increase in our trade and other payables in connection with our construction projects and some of our purchases.

Our net current assets remained relatively stable at RMB3,013.2 million and RMB3,301.1 million as of December 31, 2021 and December 31, 2022, respectively, mainly resulting from an increase in cash and cash equivalent related to demand deposit which was partially offset by a decrease in amounts due from fellow subsidiaries.

Summary of the Consolidated Statements of Cash Flow

| | Year ended December 31, | | |
|---|---------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Net cash from operating activities | 827,192 | 844,929 | 1,718,183 |
| Net cash from (used in) investing activities . . . | 681,954 | 1,222 | (2,090,451) |
| Net cash used in financing activities | (19,467) | (21,201) | (60,598) |
| Net increase (decrease) in cash and cash equivalents | 1,489,679 | 824,950 | (432,866) |
| Cash and cash equivalents at the beginning of the year | 191,662 | 1,682,810 | 2,507,631 |
| Effects of foreign exchange rate changes | 1,469 | (129) | (67) |
| Cash and cash equivalents at the end of the year | 1,682,810 | 2,507,631 | 2,074,698 |

See “Financial Information — Liquidity and Capital Resources — Cash Flows.”

SUMMARY

Selected Financial Ratios

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

| | As of or for the year ended December 31, | | |
|---|--|-------|-------|
| | 2021 | 2022 | 2023 |
| Gross margin ⁽¹⁾ | 43.8% | 41.7% | 44.7% |
| Net profit margin ⁽²⁾ | 7.6% | 7.8% | 9.9% |
| Return on total assets ⁽³⁾ | 10.1% | 10.0% | 11.3% |
| Return on equity ⁽⁴⁾ | 20.7% | 18.9% | 20.1% |
| Return on invested capital ⁽⁵⁾ | 15.5% | 14.6% | 16.9% |
| Current ratio ⁽⁶⁾ | 1.72x | 1.76x | 1.07x |
| Quick ratio ⁽⁷⁾ | 1.62x | 1.63x | 1.00x |
| Gearing ratio ⁽⁸⁾ | 0.7% | 0.5% | 0.5% |

Notes:

- (1) Gross margin equals gross profit divided by revenue for the year and multiplied by 100%.
- (2) Net profit margin equals profit for the year divided by revenue for the year and multiplied by 100%.
- (3) Return on total assets equals profit for the year divided by the average of the beginning and ending balances of total assets for the year and multiplied by 100%.
- (4) Return on equity equals profit for the year divided by the average of the beginning and ending balances of total equity and multiplied by 100%.
- (5) Return on invested capital equals operating profit multiplied by the difference of one minus effective income tax rate, divided by invested capital, and multiplied by 100%.
- (6) Current ratio equals current assets divided by current liabilities as of the same date.
- (7) Quick ratio equals total current assets less inventories divided by total current liabilities as of the same date.
- (8) Gearing ratio equals total interest-bearing debt (including lease liabilities) divided by total equity and multiplied by 100% as of the same date.

See “Financial Information — Selected Financial Ratios.”

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was owned as to 60% and 40% by CRH Beverage and Plateau, respectively.

CRH Beverage is wholly owned by CRE Limited, which is in turn wholly owned by CRH Limited, a subsidiary of CR Holdings. Plateau is wholly owned by Plateau Consumer Fund, L.P., whose general partner is Plateau Investment Limited. Ms. Dong Yi, through her wholly owned company Plateau Holding Limited, owns 100% equity interests in Plateau Investment Limited.

Immediately upon the completion of the [REDACTED], CRH Beverage and Plateau will own approximately [REDACTED]% and [REDACTED]% of the enlarged share capital of our Company (assuming the [REDACTED] is not exercised), respectively. Therefore, each of CR Holdings, CRH Limited, CRE Limited, CRH Beverage, Ms. Dong Yi, Plateau Holding Limited, Plateau Investment Limited, Plateau Consumer Fund, L.P. and Plateau will constitute our Controlling Shareholders after [REDACTED]. See “Relationship with our Controlling Shareholders.”

We have entered into and are expected to continue to conduct certain transactions after the [REDACTED] with certain associates of our Controlling Shareholders, which will constitute non-exempt continuing connected transactions under Chapter 14A of Listing Rules. See “Connected Transactions.”

SUMMARY

PRE-[REDACTED] INVESTMENT

On August 5, 2022, Plateau acquired 400 shares of our Company with a consideration of US\$1,000 million. See “History, Development and Corporate Structure – Pre-[REDACTED] Investment.”

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED] after deducting the [REDACTED] and other estimated expenses in connection with the [REDACTED] and assuming that the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for the strategic expansion and optimization of production capacity to increase our overall supply chain efficiency;
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for accelerating the expansion of sales channels and enhancing channel efficiency;
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for conducting sales and marketing activities, to enhance the brand vitality, strengthen the brand image, and improve sales performance;
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for enhancing our product R&D capabilities to continually extend new product categories and SKUs;
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for digitalization upgrades, including bolstering our digitalization capabilities across processes encompassing sales, operations, production and logistics, among other things, thereby improving our operational efficiency;
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for potential investment, merger and acquisition opportunities; and
- Approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], as working capital and for general corporate uses.

See “Future Plans and Use of [REDACTED].”

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

In April 2024, as approved at our Board meeting held on April 21, 2024, our Company declared a dividend of RMB2.5 billion to our existing Shareholders based on our consolidated retained profits as of December 31, 2023, which is conditional upon the [REDACTED] being completed (the “**Dividend**”). Subject to the satisfaction of the requirements under applicable laws and regulations, the majority of the Dividend is expected to be paid approximately 12 months after the [REDACTED]. We shall disclose details of the payment of the Dividend in the annual reports after the [REDACTED]. As of December 31, 2023, our consolidated retained profits amounted to RMB6.4 billion. We intend to use our cash resources (other than the [REDACTED] from the [REDACTED]) to pay the Dividend. As of December 31, 2023, our balance of cash and cash equivalents and fixed bank deposits was RMB5.9 billion. Apart from the Dividend, our remaining consolidated retained profits before the [REDACTED] (representing over 60% of our consolidated retained profits as of December 31, 2023) will be retained for our business development or shared among our existing Shareholders and future holders of our Shares after the [REDACTED].

SUMMARY

As of the Latest Practicable Date, we had a product portfolio of 13 brands, comprising a total of 56 SKUs. Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or [REDACTED] position or prospects since December 31, 2023 (being the date of our latest audited financial statements) and there has been no event since December 31, 2023 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that: (i) the [REDACTED] has been completed and [REDACTED] Shares are issued pursuant to the [REDACTED]; and (ii) the [REDACTED] is not exercised.

| | <u>Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]</u> | <u>Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]</u> |
|--|---|---|
| Market [REDACTED] of our Shares ⁽¹⁾ | HK\$[REDACTED] | HK\$[REDACTED] |
| Unaudited [REDACTED] adjusted consolidated net tangible assets per Share ⁽²⁾ | HK\$[REDACTED] | HK\$[REDACTED] |

Notes:

- (1) The calculation of market [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED], assuming the [REDACTED] is not exercised.
- (2) The unaudited [REDACTED] adjusted net tangible assets per Share is arrived at after making the adjustments referred to in Appendix II to this document.

DIVIDEND POLICY

Our Company is a holding company registered by way of continuation under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will depend on the availability of dividends received from our subsidiaries. During the Track Record Period, no dividend was declared or paid by the Company. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. We currently do not have a pre-determined dividend payout ratio. Distribution of dividends shall be decided by our Board of Directors at their discretion in compliance with the applicable laws and regulations. A decision to declare or to pay any dividends and the amount thereof depends on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits of our subsidiaries and dividends they pay to us, future plans and business prospects, market conditions, the Articles, regulatory restrictions and our contractual obligations. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. There can be no assurance that dividends of any amount will be declared or distributed in any year.

SUMMARY

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] expenses of approximately RMB[REDACTED] (HK\$[REDACTED]), comprising: (i) [REDACTED] related expenses of RMB[REDACTED] (HK\$[REDACTED]); and (ii) non-[REDACTED]-related expenses of RMB[REDACTED] (HK\$[REDACTED]), which are further categorized into: (a) fees and expenses of legal advisors and accountants of RMB[REDACTED] (HK\$[REDACTED]); and (b) other fees and expenses of RMB[REDACTED] (HK\$[REDACTED]), assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED]), approximately RMB[REDACTED] (HK\$[REDACTED]) of which has been charged to our consolidated statements of profit or loss, approximately RMB[REDACTED] (HK\$[REDACTED]) of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] (HK\$[REDACTED]) of which is expected to be capitalized and will be deducted from equity upon the completion of the [REDACTED]. The [REDACTED] expenses are expected to represent approximately [REDACTED]% of the gross [REDACTED] of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED]) and that the [REDACTED] is not exercised. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the granting of the [REDACTED] of, and permission to [REDACTED], our Shares to be issued pursuant to the [REDACTED] on the basis that, among other things, we satisfy the profit test under Rule 8.05(1) of the Listing Rules with reference to: (i) our profit attributable to shareholders for the year ended December 31, 2023 exceeds HK\$35 million, and (ii) our aggregate profit attributable to shareholders for the two years ended December 31, 2022 exceeds HK\$45 million.

DEFINITIONS

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

| | |
|---|---|
| “Accountants’ Report” | the accountants’ report of our Group, the text of which is set out in Appendix I to this document |
| “affiliate(s)” | 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 |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” or “Board of Directors” | the Board of Directors of our Company |
| “Business day” or “business day” | a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong |
| “BVI” | the British Virgin Islands |
| “Cayman Companies Act” or “Companies Act” | the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time |

[REDACTED]

| | |
|---------------------|--|
| “C’estbon Changsha” | China Resources C’estbon Beverage (Changsha) Co., Ltd. (華潤怡寶飲料(長沙)有限公司), a company incorporated in the PRC with limited liability on October 17, 2012, being one of our subsidiaries |
| “C’estbon Chengdu” | China Resources C’estbon Beverage (Chengdu) Co., Ltd. (華潤怡寶飲料(成都)有限公司), a company incorporated in the PRC with limited liability on September 1, 2014, being one of our subsidiaries |

DEFINITIONS

| | |
|---|--|
| “C’estbon China” | China Resources C’estbon Beverage (China) Co., Ltd. (華潤怡寶飲料(中國)有限公司), a company incorporated in the PRC with limited liability on August 1, 1996, being one of our subsidiaries |
| “C’estbon China Investment” | China Resources C’estbon Beverage (China) Investment Co., Ltd. (華潤怡寶飲料(中國)投資有限公司), a company incorporated in the PRC with limited liability on August 26, 2011, being one of our subsidiaries |
| “C’estbon Holdings” | China Resources C’estbon Beverage (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability on November 23, 2009, being one of our subsidiaries |
| “China” or the “PRC” | The People’s Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to “China” and the “PRC” do not apply to Hong Kong, Macau Special Administrative Region and Taiwan |
| “CIC” or “Industry Consultant” | China Insights Industry Consultancy Limited, the industry consultant of our Company |
| “CIC Survey” | a consumer survey conducted by CIC in September 2023 by 2,000 consumers who, among other criteria, were over 18 years old, lived in the current city for over one year, and have the habit of consuming packaged drinking water regularly |
| “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 |

DEFINITIONS

| | |
|------------------------------|--|
| “Company” or “our Company” | China Resources Beverage (Holdings) Company Limited (華潤飲料(控股)有限公司) (formerly known as China Resources Kirin Beverages (Greater China) Company Limited (華潤麒麟飲料(大中華)有限公司) and China Resources Beverages (Greater China) Company Limited (華潤飲料(大中華)有限公司), a BVI business company incorporated in the BVI with limited liability on July 4, 1995 and redomiciled to the Cayman Islands on April 16, 2024 |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “connected transaction(s)” | has the meaning ascribed to it under the Listing Rules |
| “Controlling Shareholder(s)” | has the meaning ascribed to it under the Listing Rules and as the context requires, refers to CR Holdings, CRH Limited, CRE Limited, CRH Beverage, Ms. Dong Yi, Plateau Holding Limited, Plateau Investment Limited, Plateau Consumer Fund, L.P. and Plateau |
| “CR Beer” | China Resources Beer (Holdings) Company Limited (華潤啤酒(控股)有限公司), a company incorporated in Hong Kong with limited liability and a subsidiary of CR Group listed on the Hong Kong Stock Exchange (stock code: 0291) |
| “CR Chemical” | China Resources Chemical Innovative Materials Co., Ltd. (華潤化學材料科技股份有限公司), a company incorporated in the PRC and a subsidiary of CR Group listed on the Shenzhen Stock Exchange (stock code: 301090) |
| “CR Group” | CR Holdings, its holding companies, and their respective subsidiaries, unless specifically defined otherwise |
| “CR Holdings” | China Resources (Holdings) Company Limited (華潤(集團)有限公司), a company incorporated in Hong Kong with limited liability on July 8, 1983, which is an indirect wholly-owned subsidiary of China Resources Company Limited, and one of our Controlling Shareholders |
| “CR Land” | China Resources Land Limited (華潤置地有限公司), a company incorporated in the Cayman Islands with limited liability and a subsidiary of CR Group listed on the Hong Kong Stock Exchange (stock code: 1109) |

DEFINITIONS

| | |
|----------------|--|
| “CR Mixc” | China Resources Mixc Lifestyle Services Limited (華潤萬象生活有限公司), a company incorporated in the Cayman Islands with limited liability and a subsidiary of CR Group listed on the Hong Kong Stock Exchange (stock code: 1209) |
| “CR Power” | China Resources Power Holdings Company Limited (華潤電力控股有限公司), a company incorporated in Hong Kong with limited liability and a subsidiary of CR Group listed on the Hong Kong Stock Exchange (stock code: 0836) |
| “CRE Limited” | China Resources Enterprise, Limited (華潤創業有限公司), a company incorporated in Hong Kong with limited liability on July 28, 2015, which is indirectly wholly owned by CR Holdings, and one of our Controlling Shareholders |
| “CRH Beverage” | CRH (Beverage) Limited (華潤集團(飲料)有限公司), a BVI business company incorporated in the BVI on April 3, 2007, which is indirectly wholly owned by CR Holdings, and one of our Controlling Shareholders |
| “CRH Limited” | CRH (CRE) Limited (華潤集團(華創)有限公司), a BVI business company incorporated in the BVI on July 8, 2015, which is indirectly wholly owned by CR Holdings, and one of our Controlling Shareholders |
| “CSRC” | the China Securities Regulatory Commission (中國證券監督管理委員會) |
| “Director(s)” | director(s) of our Company |
| “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 |
| “ESG” | Environmental, Social and Corporate Governance |

[REDACTED]

DEFINITIONS

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

[REDACTED]

“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)

“Guide for New Listing Applicants” the Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time

[REDACTED]

“HK\$” or “HK dollars” Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

“HKFRSs” Hong Kong Financial Reporting Standards

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong” or “HK” the Hong Kong Special Administrative Region of the PRC

[REDACTED]

“[REDACTED]” [REDACTED]

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

[REDACTED]

DEFINITIONS

[REDACTED]

“Independent Third Party(ies)” person(s) or company(ies) and their respective ultimate beneficial owner(s), which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are independent of the Company or are not its Connected Persons

[REDACTED]

DEFINITIONS

[REDACTED]

| | |
|---------------------------|--|
| “Joint Sponsors” | the joint sponsors as named in the section headed “Directors and Parties Involved in the [REDACTED]” |
| “KIRIN” | Kirin Holdings Company, Limited, a beer, beverage, health science and pharmaceutical company that operates on a global scale, and an ex-shareholder of the Company |
| “Latest Practicable Date” | April 15, 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) |
| “Macau” | the Macau Special Administrative Region of the PRC |
| “Main Board” | the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange |

DEFINITIONS

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|---|---|
| “Memorandum and Articles” or “Memorandum and Articles of Association” or “Articles” | the memorandum and/or articles of association of our Company, as amended and restated, which shall become effective on the [REDACTED], a summary of which is set out in Appendix III to this document |
| “Ministry of Finance” or “MOF” | the 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) |
| “NDRC” | the National Development and Reform Commission of the PRC (中華人民共和國發展和改革委員會) |

[REDACTED]

| | |
|-----------|---|
| “Plateau” | Plateau Consumer Limited, a company incorporated in the Cayman Islands on January 12, 2022, and one of our Controlling Shareholders |
|-----------|---|

DEFINITIONS

[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

[REDACTED]

“RMB” or “Renminbi” Renminbi, the lawful currency of the PRC

[REDACTED]

“SAFE” State Administration of Foreign Exchange (國家外匯管理局) of the PRC

“Securities and Futures Ordinance” or “SFO” the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Securities Law” the Securities Law of the People’s Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

“SFC” the Securities and Futures Commission of Hong Kong

“Share(s)” ordinary shares in the capital of our Company with a nominal value of US\$0.0000005 each

“Shareholders(s)” holder(s) of the Share(s)

“STA” State Taxation Administration (國家稅務總局) of the PRC

DEFINITIONS

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|-----------------------|---|
| “State Council” | State Council of the People’s Republic of China (中華人民共和國國務院) |
| “subsidiary(ies)” | has the meaning ascribed to it in section 15 of the Companies Ordinance |
| “Track Record Period” | the three years ended December 31, 2023 |

[REDACTED]

| | |
|-------------------------|--|
| “US” or “United States” | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| “US\$” or “US dollars” | United States dollars, the lawful currency of the United States |

[REDACTED]

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|-----|----------|
| “%” | per cent |
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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.

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

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

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

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

| | |
|--------------------------------------|---|
| “AI” | artificial intelligence |
| “amino acid” | an organic chemical forming the basic building units of proteins |
| “App” | a mobile application, which is an application designed to run on smartphones, tablets, or other mobile devices |
| “beverage product(s)” | our beverage products, for the purpose of this document, namely RTD soft beverage excluding packaged drinking water, such as tea beverage and juice beverage, among others |
| “CAGR” | compound annual growth rate |
| “cold aseptic filling process” | a technology that allows cold filling of products in a bacteria-free condition without the exposure of products to high temperatures for a long time, or the need for the addition of preservatives |
| “Cooperative Manufacturing Partners” | manufacturing factories, including OEMs, that establish collaborative partnerships to effectively address market demands |
| “COVID-19” | outbreaks of coronavirus disease 2019, an infectious disease caused by the recently discovered coronavirus (severe acute respiratory syndrome coronavirus 2, SARS-CoV-2) |
| “dietary fiber” | a type of food derived from plants that cannot be fully digested by human digestive enzymes, and is an essential nutrient for the human body |
| “Eastern region” | our sales region, consisting of Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Henan Province and Hubei Province |
| “electrolyte” | cation and anion in the human body, which is a nutrient essential for the human body |

GLOSSARY OF TECHNICAL TERMS

| | |
|----------------------|---|
| “FSSC22000” | FSSC22000 food safety management system, an internationally accepted system that contains a complete certification scheme and provides a certification model for the whole food supply chain |
| “GDP” | gross domestic product |
| “GMP” | good manufacturing practice standards, a quality assurance that ensures products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification |
| “IP” | Intellectual property |
| “ISO22000” | ISO22000 food safety management system, an internationally accepted food safety management system implemented by the International Organization for Standardization |
| “ISO9001” | ISO9001 quality management system, an internationally accepted quality management system implemented by the International Organization for Standardization |
| “IT” | information technology |
| “KA” | key accounts |
| “L” or “litre” | a metric unit of liquid volume capacity, equal to 1,000 ml |
| “metasilicate” | a substance that can be easily absorbed by the human body and effectively maintain the electrolyte balance and physiological functions of human body |
| “ml” or “milliliter” | a metric unit of liquid volume capacity, equal to one-thousandth of a litre |
| “PET” | polyethylene terephthalate, which can be used for blow molding of plastic bottles |
| “potassium sorbate” | a chemical used as a preservative for foods |
| “PTS” | product tracking system |

GLOSSARY OF TECHNICAL TERMS

| | |
|------------------------------|--|
| “PVC” | polyvinyl chloride, a versatile thermoplastic polymer commonly utilized for the manufacturing of a wide range of other products, including water pipes |
| “RTD” | ready-to-drink |
| “R&D” | research and development |
| “SKU” | acronym for minimum stock keeping unit, a unique identifier for each distinct product and service that can be purchased |
| “Southern region” | our sales region, consisting of Guangdong Province, Guangxi Zhuang Autonomous Region and Hainan Province for purposes of this document |
| “Southwestern region” | our sales region, consisting of Chongqing, Sichuan Province, Guizhou Province, Yunnan Province and Shaanxi Province for purposes of this document |
| “SPM” | supply, production and marketing |
| “TEAM CHINA” | a collective image and unified appellation of the national teams of various sports and the Chinese sports delegation in comprehensive sports events |
| “third-tier or lower cities” | all the cities in China excluding Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Xi’an, Wuhan, Suzhou, Zhengzhou, Chongqing, Hangzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Hefei, Kunming, Qingdao, 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 |
| “ton” | a unit of mass equal to 1,000 kilograms |
| “5S” | sort (seiri), set in order (seiton), shine (seiso), standardize (seiketsu) and sustain (shitsuke), a methodology for organizing, cleaning, developing, and sustaining a productive work environment |

GLOSSARY OF TECHNICAL TERMS

“13th Five-Year Plan”

framework and roadmap that outlines the government policies and priorities of the PRC from 2016 to 2020

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;
- general political and economic conditions of jurisdictions in which we operate;
- our business operations and prospects;
- our capital expenditure plans;
- weather, natural disasters and climate change;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- 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 business plans; and
- various business opportunities that we may pursue.

FORWARD-LOOKING STATEMENTS

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.

RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The [REDACTED] price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company registered by way of continuation in the Cayman Islands and that substantially all of our operations are conducted in the PRC. For more information in respect of the PRC legal and regulatory environment, see "Regulatory Overview."

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

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We may not effectively respond to changing consumer tastes, preferences and spending habits, whether by enhancing our current products, undertaking the process of developing, launching and promoting any new product, or responding to changes in the distribution channels, which could impact our business and financial performance.

Our success depends substantially on consumer tastes, preferences and spending habits that often change in unpredictable patterns, and our ability to offer products that satisfy the shifting consumer demand. Consumer demand for packaged drinking water and beverages continually evolves due to various factors, including changing demographics of the population, social trends, changes in consumer lifestyles and consumption patterns, concerns or perceptions regarding the health effects of products, concerns regarding the origin or source of raw materials and packaging materials of products, media and public opinions, and the economic environment.

In addition, consumption behaviors are rapidly evolving due to both changes in travel, vacation and leisure activity patterns, and the accelerated growth of e-commerce and other methods of purchasing products. If we are unable to meet the demand of consumers where and when they desire their products or if we are unable to respond to changes in distribution channels (including e-commerce), our results of operations and financial condition could be adversely affected.

If we do not effectively anticipate and respond to the changing trends in, and consumers' preferences towards, RTD soft beverages, our sales and growth could be adversely affected. Achieving growth depends on our successful development, introduction and marketing of innovative new products. There are inherent risks associated with new products, including

RISK FACTORS

uncertainties about market and consumer acceptance or potential impacts on our existing product offerings. We may also need to increase expenditures for new product development. Successful innovation depends on our ability to accurately anticipate consumer acceptance, as well as to obtain, protect and maintain necessary intellectual property rights. Failure to do so could compromise our competitive position and adversely affect our sales, financial condition and results of operations.

We are operating in a highly competitive market.

We are operating in the RTD soft beverage industry of China, which is and will continue to be highly competitive. We face intense competition from our existing competitors as well as new industry entrants. Some of our competitors have established market positions across multiple categories, and have greater financial, R&D, marketing and other resources. Consequently, they may be more agile in adapting to changing market trends or introducing better products to satisfy evolving consumer demand. They may also make technological advances in production and other aspects of the RTD soft beverage business to which we may not be able to respond successfully. We also compete with a number of smaller brands, which could be more innovative, more capable of launching new products to market, and more effective and quicker in terms of entering and serving niche markets. We also compete for obtaining contract manufacturing services from Cooperative Manufacturing Partners with other market players. In addition, we may face competition from other producers of packaged drinking water and beverage products within the CR Group. Although we believe there is currently no material competition risk from entities within the CR Group, there can be no assurance that relevant entities will not in the future enter into markets where we currently operate or develop products that target similar customer groups or distribution channels similar to ours.

Furthermore, our competitors may acquire market shares through merger, acquisition and consolidation. They may also use unreasonable or predatory pricing or may even engage in activities that harm our reputation. If we cannot respond effectively, our reputation, results of operations and prospects may be materially and adversely affected.

Competitive pressures may cause us to reduce prices we charge customers or may limit our ability to increase prices, which could hinder our profitability especially when raw materials or other cost increases. Such pressures may also increase marketing costs along with in-store placement, slotting and other marketing fees. Competitive pressures may also cause our channel and product mix to shift from more profitable ones. If we do not continually strengthen our capabilities in marketing and innovation to maintain consumer interest, brand loyalty, market share and profitability to remain competitive, our business could be adversely affected.

RISK FACTORS

Product defects, product contamination or other product quality and food safety issues related to our products, or concerns about the safety, quality or health effects of our products could damage our reputation, and may materially and adversely affect our business and results of operations.

The success of our business depends in part on our ability to maintain consumer confidence in the safety and quality of all of our packaged drinking water products and beverage products. We have established various quality and safety standards, as well as a quality control system, the effectiveness of which depends on its design and the effectiveness of its implementation. During the Track Record Period and up to the Latest Practicable Date, we did not experience any product liability claim or incident related to material product liability exposure, which was, individually or on an aggregate basis, material to our Group. Our quality control system may not always be effective, or we may not be able to identify any defects in our quality control system in a timely manner. Any product quality or food safety issues that we fail to detect or prevent or respond effectively could lead to liability claims, reputation damage and penalties imposed by relevant authorities, which may materially and adversely affect our business and results of operations.

Any failure or perceived failure to meet our quality or safety standards, including product contamination and other accidents, non-compliant production, or allegations of mislabeling, whether actual or perceived, could occur in our operations or those of our Cooperative Manufacturing Partners, customers or suppliers. This could result in significant disruptions, including time-consuming and expensive production interruptions, product recalls, market withdrawals, product liability claims and negative publicity. It could also result in the destruction of product inventory, loss in sales due to the unavailability of product for a period of time, fines from applicable regulatory agencies, and higher-than-anticipated rates of returns of goods. In addition, we may need to negotiate with or litigate against our raw material and packaging material suppliers, Cooperative Manufacturing Partners and customers for the losses arising out of contamination of raw materials and packaging materials, and product quality and food safety issues. Such litigation could lead to substantial costs, which may further affect our sales, profitability and prospects.

In addition, negative publicity may result from false, unfounded or nominal liability claims or limited recalls and such adverse public opinions, third-party studies or other allegations, whether or not valid, regarding the perceived or potential negative health effects of ingredients in our products or substances in our packaging materials may lead to additional government legislation or regulation, actual or potentially adverse legal action against us, and a negative consumer perception of our products, any of which could result in decreased demand for our products, or lead to changes in design of products, which may be costly and time-consuming and reduce the appeal of the products.

Any or all of these events may lead to a loss of consumer confidence and trust, could damage the goodwill associated with our brands and may cause consumers to choose other products, and could adversely affect our business, results of operations and financial condition.

RISK FACTORS

We may not be able to effectively manage and develop our distribution network and other sales channels, or efficiently sustain our business relationships with or manage our customers, which could adversely affect our brands, operations and results of operations.

Maintaining an effective distribution network enables smooth deliveries of our packaged drinking water and beverage products to consumers, and our distributors play an important role in expanding our geographic footprint and driving sales of our packaged drinking water and beverage products. Generally, our distributors purchase products from us and resell them to sub-distributors and end customers. Purchases by distributors accounted for the substantial majority of our sales during the Track Record Period. Revenue contributed by our distributors accounted for 87.9%, 87.9% and 87.2% of our total revenue in 2021, 2022 and 2023, respectively. See “Business — Our Sales Network — Distributorship.”

Failure to maintain our business relationships with existing distributors, to establish relationships with new distributors upon the loss of our existing distributors, and to manage and expand our distributors’ distribution coverage could adversely affect our distribution network and hence our business, as well as our brands, results of operations and financial condition. Our ability to expand distribution coverage is also affected by changes in the relevant regulatory requirements, competitive landscape, and consumer tastes, preferences and spending habits. Failure to effectively respond to such changes may result in an adverse effect on our business and prospects.

In addition, if our distributors fail to effectively market and sell our packaged drinking water and beverage products, our market reputation may be damaged, and our ability to grow our business may be adversely affected. Furthermore, we may not be able to successfully manage our distributors’ behaviors, or successfully detect or prevent any non-compliance by our distributors with the provisions of our existing distribution agreements. Any non-compliance by our distributors could negatively affect our brands and relationships with other distributors.

In some cases, our distributors may sell our products to sub-distributors over whose daily business activities we have limited or no control. We may not be able to accurately track the sales and inventory levels of the sub-distributors of our products, which may lead to inaccurate forecasts of sales trends by us and affect our ability to effectively and timely formulate and adjust our marketing and product strategies. As of the Latest Practicable Date, we entered into tripartite agreements with over 2,800 sub-distributors. In addition, our distribution network also covers other sub-distributors with whom we have no contractual relationship. Our sub-distributors do not have any purchase, payment or other direct transactions with us. Any failure of our sub-distributors to distribute our products in a timely manner, or any failure of the sub-distributors with which we entered into tripartite agreements to comply with the relevant contract terms, may affect our sales and damage the reputation of our brands, which may adversely affect our business and results of operations.

RISK FACTORS

In addition, we also sell products directly to customers, consisting mainly of direct sales to KA clients, including well-known supermarkets, chained convenience stores and e-commerce platforms. Revenue contributed by our direct sales customers accounted for 12.1%, 12.1% and 12.8% of our total revenue in 2021, 2022 and 2023, respectively. See "Business — Our Sales Network — Direct Sales." Failure to maintain our business relationships with direct sales customers or to establish relationships with direct sales customers could adversely affect our brands, results of operations and financial condition.

Moreover, among our direct sales, sales generated via online sales channels had been growing remarkably during the Track Record Period. As e-commerce and social media platforms are becoming increasingly popular, we may encounter competition and cannibalization between offline and online sale channels. If we fail to balance the marketing efforts or optimize product mix and pricing strategies among our online and offline sales channels, or otherwise fail to effectively manage the integration of these channels, the competition and cannibalization among these channels may adversely affect our business, financial condition and results of operations. In addition, during the Track Record Period, we sold certain products directly to third-party e-commerce platforms and to consumers via third-party e-commerce platforms. Accordingly, if there are any significant disruptions to the e-commerce platforms, our sales via online channels and brand image may be adversely affected. If we fail to effectively manage the continual and effective development of our online sales, our business, results of operations and financial condition may be adversely affected.

The price volatility, declining quality or other risks related to the supply of our raw materials and packaging materials may materially and adversely affect our business and profitability.

The principal type of raw materials and packaging materials we use in the production of our products is PET, for manufacturing bottles. Our other raw materials and packaging materials primarily include milk powder, sugar, cardboard, bottle caps and labels. In 2021, 2022 and 2023, our raw material and packaging material costs were RMB3,722.8 million, RMB4,576.8 million and RMB4,507.6 million, respectively, representing approximately 58.5%, 62.2% and 60.3% of our total cost of sales, respectively. Given that raw material and packaging material costs are expected to continue to account for a large portion of our costs of sales, any significant increase in the prices of our raw materials and packaging materials may materially and adversely affect our profit margins. The raw materials and packaging materials we use are subject to price volatility caused by various factors beyond our control, such as commodity price fluctuations, changes in supply and demand, logistics and processing costs, inflation and governmental regulations and policies, and we are unsure whether we will be able to pass any of such price increases onto our customers.

Moreover, if all or a significant number of our raw material and packaging material suppliers are unable or unwilling to meet our requirements, we could suffer shortages or cost increases of raw materials and packaging materials. Our raw material and packaging material suppliers may fail to meet our needs for various reasons, including natural disasters, weather, manufacturing problems, epidemics, crop failure, strikes, transportation interruptions or government regulation. Changing raw material and packaging material suppliers may be costly and time-consuming. If we are unable to timely obtain raw materials and packaging materials in sufficient quantities, of satisfactory quality or at acceptable prices, our production volumes, quality of products and profit margins may be materially and adversely affected.

RISK FACTORS

Our business is subject to seasonality, which may cause fluctuations in our operating results.

The consumption of packaged drinking water and beverages is subject to seasonal variations. We typically experience sales peaks in the second and third quarters of each year, primarily due to the warmer weather. Meanwhile, we typically have low seasons with generally lower revenue and lower utilization rates for our production capacity in the first and the fourth quarters, which negatively affects our profitability during the same periods. See “Financial Information — Major Factors Affecting Our Results of Operations — Specific Factors — Weather and Seasonality.”

Sales can also fluctuate during the course of a financial year for other reasons, including the timing of new product launches and marketing and promotion activities. In addition, changes in weather or average temperature may cause fluctuations in demand for our products. For example, unseasonable or unusual weather may disrupt our operations and harm our financial performance. See “— Weather, natural disasters and climate change or related legislation could adversely affect our business.”

Due to these fluctuations, comparisons of sales and operating results between different periods within a financial year, between the same periods in different financial years, or between different financial years, are not necessarily indicative of our performance. Nor may our results for any particular quarter or half year be indicative of the results to be achieved for the entire fiscal year. Our financial condition and results of operations in the future may continue to fluctuate throughout a year. Investors should not rely on interim results as being indicative of results the Group may expect for the full year.

Effective marketing and promotions of our products are essential to the success of our products. Inappropriate marketing activities will affect our reputation and may lead to administrative penalties, which may materially and adversely affect our business and results of operations.

The success of our operation depends on the effectiveness of our sales and marketing activities. We invest substantially in our sales and marketing activities to enhance brand recognition and promote new products. We incurred distribution and selling expenses of RMB3,756.7 million, RMB3,877.6 million and RMB4,086.5 million, respectively, representing 33.1%, 30.7% and 30.2%, respectively, of our total revenue, in 2021, 2022 and 2023, respectively. However, there can be no assurance that collaboration with our partners in marketing campaigns will not terminate, in which case our sales and marketing activities, business operations and financial performance may be adversely affected. In addition, if our sales and marketing programs contain inappropriate content, our reputation may be damaged, which could potentially lead to administrative penalties. As a result, our business and results of operations may be materially and adversely affected.

RISK FACTORS

In particular, for new products, we may conduct promotional activities and incur significant sales and marketing expenditure to stimulate consumer demand after the product launch, which may affect our profitability. Competitive pressures may also restrict our ability to subsequently increase prices of new products. We may not be able to successfully launch any new product while maintaining and improving our profitability immediately after product launch, or at all.

In addition, we may be required to develop and adopt new marketing strategies to meet evolving market trends and shifting consumer preferences. Failure to develop effective marketing strategies to meet the changing market trends and consumer preferences may result in unnecessary distribution and selling expenditure, which may materially and adversely affect our results of operations and financial condition.

The execution of our investment, maintenance or upgrades related to production equipment, facilities, technologies and other operational aspects may not be carried out successfully, which may materially and adversely affect our business growth.

We continually maintain our existing production equipment and facilities, expand production capacity through upgrading our existing equipment and facilities, purchase new equipment and establish new facilities, and improve production technologies, to ensure the smooth operation of our business and drive business growth.

In particular, as our business grows, we may need to expand our production capacity through various measures including the construction of new, and expansion of existing, factories. See "Business — Our Production — Our Production Expansion Plan." Our new factories may not be ready in time or our production capacity may not otherwise be successfully expanded. A number of factors could delay our expansion plan or increase our costs, including: (i) failure to raise sufficient funds to establish and maintain working capital to operate our business at the new factories; (ii) failure to obtain environmental and regulatory approvals, permits or licenses from the relevant government authorities in a timely manner; (iii) failure to find new sites for our factories; (iv) shortage or late delivery or increased prices of building materials and production equipment, as well as various other factors affecting the construction progress, resulting in late delivery of our newly constructed or expanded factories; and (v) technological changes, capacity expansion or other changes to our plans for the new factories necessitated by changes in market conditions.

Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of any new factories or expansion of any existing factories and maintenance of expanded production capacity. Any delay or cancellation of our expansion plan could also subject us to disputes with various counterparties, including, but not limited to, general contractors and subcontractors, equipment suppliers, financiers and relevant government authorities. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

RISK FACTORS

In addition, we allocate our human and other resources to manage these undertakings. Such investment, maintenance and upgrades may not be carried out successfully, or generate positive cash flows or profitable returns within a short period of time. Such investment, maintenance and upgrade may become ineffective or obsolete as a result of updates in technology or industry standards, which could result in a material adverse effect on our business, results of operations and financial condition.

Weather, natural disasters and climate change or related legislation could adversely affect our business.

Unseasonable or unusual weather, natural disasters (such as storms, earthquakes, fires, drought or floods) or long-term climate change could pose physical risks to our production facilities and those of our Cooperative Manufacturing Partners and suppliers, impair our production capabilities, and disrupt our supply chains and distribution. In particular, they may add volatility to commodity prices of, and have the potential to disrupt the availability of, raw materials and packaging materials, energy and fuel, which may thereby adversely affect our ability to produce products. In addition, changes in weather or average temperature may result in fluctuations in demand for our products, which may have a negative effect on our business and financial results. For risks relating to water scarcity, see “— The scarcity or poor quality of water could adversely impact our business.”

Furthermore, concerns over climate change, including global warming, have led to legislative and regulatory initiatives directed at low-carbon development and green manufacturing. Changes in the relevant laws or regulations applicable to us (such as the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》), the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Opinions on Further Enhancing the Control and Management of Plastic Pollution (《關於進一步加強塑膠污染治理的意見》) (Fa Gai Huan Zi [2020] No. 80)), or evolving interpretations thereof may result in increased compliance costs, capital expenditures and other financial obligations for us, thereby adversely affecting our results of operations and financial condition.

If our third-party service providers and business partners, including our Cooperative Manufacturing Partners, do not satisfactorily fulfill their commitments and responsibilities, our business and financial performance could be adversely affected.

In the conduct of our business, we rely on relationships with third parties, including Cooperative Manufacturing Partners, suppliers of raw materials and packaging materials, customers, logistics service providers, promotion service providers, water suppliers and other third parties, for certain services in support of key elements of our operations. These third parties are subject to risks similar to ours relating to business interruption, systems and employee failures, and cybersecurity and data protection, and are also subject to their own legal, regulatory and market risks.

RISK FACTORS

Our third-party service providers and business partners may not fulfill their respective commitments and responsibilities in a timely manner and in accordance with the terms agreed upon or applicable laws. In addition, while we have procedures in place for assessing risk along with selecting, managing and monitoring our relationships with third-party service providers and business partners, we may not have control over their business operations or governance and compliance systems, practices and procedures, which increases our financial, legal, reputational and operational risk. If we are unable to effectively manage our relationships with third-party service providers and business partners, or for any reason our third-party service providers or business partners fail to satisfactorily fulfil their commitments and responsibilities, our business, results of operations and financial condition could suffer. Upon expiry of existing contracts with third parties, we may not be able to renew such contracts at terms commercially favorable to us or find an appropriate substitute in a timely manner, in which case our business may be adversely affected.

In particular, we have maintained long-standing relationships with many Cooperative Manufacturing Partners who assist with our production. In 2021, 2022 and 2023, our Cooperative Manufacturing Partners contributed to approximately 68.1%, 68.9% and 66.9% of the total production volume for our products, respectively. In general, we are subject to a number of risks related to our Cooperative Manufacturing Partners’ production, including reduced control over delivery schedules, and financial difficulties or disruptions in their operations of Cooperative Manufacturing Partners, due to causes beyond our control, including accidents and other unpredictable events. Failure to effectively manage any of the foregoing risks may adversely affect our business, results of operations and financial condition.

In addition, we have a limited number of major suppliers. In 2021, 2022 and 2023, purchases from our five largest suppliers were approximately RMB2.4 billion, RMB2.9 billion and RMB2.8 billion, respectively, representing approximately 31.0%, 33.5% and 33.2%, respectively, of our total purchases. See “Business — Supply Chain Management — Suppliers.” If our current major suppliers decide to terminate business relationships with us or if the goods and services supplied by our current major suppliers fail to meet our standards, or if our current services, equipment or raw material and packaging material supplies are interrupted for any reason, we may not be able to easily switch to other qualified suppliers in a timely manner or at all. In such events, our business, results of operations and financial condition may be adversely affected.

We may face inadequate production capacity issues, which could hinder us in satisfying customer demand and harm our growth prospects.

As of December 31, 2023, we had 12 self-owned factories in operation in China. See “Business — Our Production — Production Factories — Our Self-Owned Factories.” In addition, as of the same date, we collaborated with 34 Cooperative Manufacturing Partners that provide contract manufacturing services. We may not be able to meet the overall demand for our products or specific demand for any of our products in particular, if the production in any of our factories or those of our Cooperative Manufacturing Partners is disrupted in the future, especially during periods when we experience high demand for some or all of our products. Under these circumstances, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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Disruptions at our factories could have a material adverse effect on our business. In addition, disruptions could also occur at the factories of our Cooperative Manufacturing Partners or suppliers, or at the facilities of our customers. Disruptions could occur for many reasons, including fires, natural disasters, weather, water scarcity, production or distribution issues, disease, widespread illness, strikes, labor shortages, transportation or supply interruption, contractual dispute, governmental regulation and actions, cybersecurity attacks, war or terrorism.

In particular, effective supply chain management and efficient production is key to our business success. Any delay or disruption in our supply chains may adversely affect our ability to perform our contractual obligations to customers. Meanwhile, our production processes are sophisticated. Problems may arise during the production process for various reasons beyond our control, including quality defects in raw materials and packaging materials, lack of production conditions or suspension of production due to natural disasters or other catastrophic events, labor issues, power outages, or technical or mechanical problems. Failure to effectively manage any of the above could interrupt our production process and delivery of our products, and thereby impair our business and reputation.

Furthermore, we may also experience inadequate production capacity issues when the actual demand for our products exceeds our forecasts of demand. If we cannot address inadequate production capacity issues effectively and in a timely manner, the production of our products may be adversely affected, and hence our business, results of operations and financial condition may be adversely affected.

Our business and operational outcomes could be negatively affected by any delays in delivery, mishandling of goods or increases in transportation costs of our logistics service providers.

During the Track Record Period, a majority of our product transportation was provided by logistics service providers. In 2021, 2022 and 2023, our logistics services expenses were RMB911.1 million, RMB1,123.4 million and RMB1,046.3 million, respectively, representing 8.0%, 8.9% and 7.7% of our total revenue, respectively. Most of our products are delivered by road, rail or waterway. The services provided by our logistics service providers may be delayed, suspended or canceled due to unforeseen events, which may postpone or interrupt the sales or delivery of our products or increase our costs. Delivery delays may occur for various reasons beyond our control, including improper handling by our logistics service providers, labor disputes or strikes, accidents, outbreaks of epidemics, earthquakes and other natural disasters, and acts of war or terrorism. Disputes, or a termination of our contractual relationships, with logistics service providers may also lead to delayed delivery of products or increased costs. We may not be able to maintain or renew contractual relationships with our existing logistics service providers on terms commercially acceptable to us, or at all, or that we will be able to find suitable substitutes. In addition, the transportation services provided by our logistics service providers may not be always satisfactory to our customers. Any delayed delivery, product damage or other relevant issues may lead to product recalls, product liabilities and damage to our reputation, which may in turn adversely affect our business and results of operations.

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Moreover, the transportation costs of our logistics service providers are subject to factors beyond our control, including fluctuations in the price of fuel, increases in road tolls and bridge tolls, and changes in transportation regulations. Any increase in the service costs of our logistics service providers may adversely affect our results of operations and financial condition.

Our failure to adequately manage our inventories may lead to inventory obsolescence.

Maintaining optimal inventory levels is critical to the success of our business. As of December 31, 2021, 2022 and 2023, our balance of inventories was RMB414.1 million, RMB588.1 million and RMB377.4 million, respectively. Our inventory turnover days in 2021, 2022 and 2023 were 19.1 days, 24.8 days and 23.6 days, respectively. Failure to adequately manage inventory risks may lead to inventory obsolescence, decline in inventory value or inventory write-offs. In addition, compared with packaged drinking water products, our beverage products are exposed to higher risks of inventory obsolescence, as they generally have a relatively shorter shelf life.

For raw materials and packaging materials, we generally maintain a safety stock and adopt a multiple sourcing approach; for finished goods, we implement different stocking strategies for peak and off seasons. See “Business — Inventory Management.” However, we may not be able to accurately predict relevant trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in market demand for the products we sell could lead to excessive inventory, and we may offer discounts or conduct promotion activities to dispose of slow-moving inventory, which in turn may adversely affect our results of operations and financial condition. Meanwhile, understocked inventory may cause us to lose sales opportunities and our results of operations may also be adversely affected.

Any adverse publicity involving our brands, customers, Cooperative Manufacturing Partners, raw materials and packaging materials, or the RTD soft beverage industry in general, will harm our reputation, which may materially and adversely affect our business and results of operations.

Our success depends on our ability to build and maintain the brand image for our existing and new products as well as our corporate reputation. Our advertising, marketing and promotion programs may not have the desired impact on our brand image or on consumer preferences and demand for our products. In particular, our sponsorship relationships could subject us to negative publicity as a result of actual or alleged misconduct by individuals or entities associated with organizations and events that we sponsor or support.

Claims regarding product safety, quality and/or ingredient content issues, our environmental impact and the sustainability of our operations, or allegations of product contamination, even if false or unfounded, could tarnish the image of our brands and may cause consumers to choose alternative products. Consumer demand for our products could also significantly diminish if we or our employees, Cooperative Manufacturing Partners, customers, suppliers, logistics service providers or other business partners fail to preserve the quality of our products, act or are perceived to act in an unethical, illegal or socially irresponsible manner, including with respect to the sourcing, content or sale of our products, service and treatment of our customers, or the use of customer data.

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Furthermore, our brand image or perceived product quality and food safety could be adversely affected by litigation, unfavorable reports in the media, studies in general and regulatory or other governmental inquiries, and proposed or new legislation affecting the RTD soft beverage industry. Negative postings or comments on social media or networking websites about our Company or any one of our brands, even if inaccurate or malicious, could generate negative publicity that might damage the reputation of our brands or our Company. Business incidents, whether isolated or recurring and whether originating from us or our Cooperative Manufacturing Partners, customers, suppliers, logistics service providers or other business partners, that erode consumer trust can significantly reduce brand value or potentially trigger boycotts of our products and have a negative impact on consumer demand for our products as well as our reputation and results of operations. The impact of such incidents may be exacerbated if they receive considerable publicity, including rapidly through social or digital media (including for malicious reasons) or result in litigation or other proceedings.

In addition, adverse publicity related to the entire RTD soft beverage industry or other companies operating in this industry may result in consumers' having a negative perception of our brands and influence consumer demand for our products, and our business and prospects may be materially and adversely affected as a result.

Expansion and acquisitions of or investments in businesses, products, technologies, production capacity or know-how could subject us to risks and uncertainties.

During the Track Record Period, we held a 70% equity interest in China Resources C'estbon Beverage (Yixing) Co., Ltd. (華潤怡寶飲料(宜興)有限公司) via a capital increase in 2022, and a 79% equity interest in Heyuan Biyouxuan Drinking Water Co., Ltd. (河源市碧優選飲用水有限公司) via a capital increase in the first half of 2023. See note 30 to the Accountants' Report in Appendix I to this document. In addition, we acquired a 70% equity interest in a former Cooperative Manufacturing Partner in 2024. See note 38 to the Accountants' Report in Appendix I to this document.

We plan to continuously and actively seek strategic opportunities for acquisitions of or investments in businesses, products, technologies, production capacity or know-how that we believe would benefit our product development, R&D capabilities, technologies, and distribution network. We may not be able to successfully execute our expansion and acquisition plans, and complete the relevant transactions as expected.

Our ability to grow through acquisitions and investments depends upon our ability to identify and integrate suitable targets and to obtain necessary financing at reasonable terms. In particular, acquisitions may involve significant risks and uncertainties, including but not limited to: (i) difficulties in integrating acquired companies, personnel, equipment, facilities or products, as applicable, into our business, particularly different production and quality management and other business functions; (ii) delays or failures in realizing the benefits and synergies of acquisitions and investments; (iii) diversion of our management's time and attention from other business concerns; (iv) higher costs of integration than anticipated; or (v) difficulties in retaining key employees of acquired businesses.

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Meanwhile, we may not be able to achieve the anticipated effects or returns from our investments and recover such investments in time. An acquisition could also impair our results of operations by causing us to incur debt or amortize acquired intangible assets. We may also discover deficiencies in internal controls, data adequacy and integrity, service quality, regulatory compliance and liabilities in acquired businesses which we did not uncover prior to such acquisitions. Consequently, we may become subject to penalties, lawsuits or other liabilities. Any difficulties in the integration of acquired businesses or products, or unexpected penalties, lawsuits or liabilities in connection with such businesses or products could adversely affect our business, results of operations and financial condition.

Failure to manage our future growth effectively may materially and adversely affect our business operations and prospects.

We experienced growth in revenue during the Track Record Period. In 2021, 2022 and 2023, our revenue was RMB11,339.9 million, RMB12,622.8 million and RMB13,514.7 million, respectively. However, this only reflects our historical performance and may not be indicative of our future performance. The sustainability of our growth depends on a number of factors, many of which are beyond our control, including evolving consumer preferences and demand, competition, regulatory evolution and changes in economic condition. If we are not able to effectively manage our business growth and further expand our operations as needed, we may not be able to successfully implement the strategies necessary to further our business prospects on schedule or within our budget, or at all. Accordingly, we may not be able to sustain the growth we achieved in the past. Any failure to manage our future growth effectively may materially and adversely affect our business operations and prospects.

We received government grants and preferential tax treatment during the Track Record Period, and any discontinuation of government grants or preferential tax treatment or any change in the relevant policies may adversely affect our financial performance and results of operations.

We received government grants and preferential tax treatment under relevant preferential tax policies during the Track Record Period. However, we may not be able to continue to enjoy similar government grants and preferential tax treatment in the future. In 2021, 2022 and 2023, we recognized government grants of RMB82.9 million, RMB87.8 million and RMB61.3 million, respectively. During the Track Record Period, we had one subsidiary which was eligible for preferential taxation. See “Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss — Other Income” and “Financial Information — Principal Components of Our Consolidated Statements of Profit or Loss — Income Tax Expense.” If we cease to receive or benefit from government grants or be entitled to preferential tax treatment, our financial condition and results of operations may be adversely affected.

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We are exposed to credit risks related to our trade receivables.

Our trade receivables primarily arise from credit sales of our products. We usually deliver products to customers after they have made the payment, while granting credit terms of no more than 90 days to certain direct sales customers. The balance of our trade receivables (before allowance for credit losses) was RMB277.8 million, RMB270.6 million and RMB267.3 million, as of December 31, 2021, 2022 and 2023, respectively, which represented our maximum exposure as of the respective dates to credit risk in relation to trade receivables. In 2022 and 2023, we recognized impairment losses under expected credit loss model (net of reversal) of RMB27.2 million and RMB3.8 million, respectively, through profit or loss. The collection of amounts due from our customers may not be timely. This might result in slow turnover of our trade receivables and restrict our working capital resources. In 2021, 2022 and 2023, our trade receivables turnover days were 8.3 days, 7.9 days and 7.3 days, respectively. See “Financial Information — Description of Certain Components of Our Consolidated Statements of Financial Position — Trade and Other Receivables.” If we fail to receive payments from our customers on a timely basis, our cash flows and financial position could be adversely affected. In addition, disputes that arise due to default in payment by customers may also be time-consuming and costly for us in the event we decide to claim for such payments, and we may not be successful, in which case our liquidity, business, results of operations and financial condition may be adversely affected.

Our efforts in developing and investing in R&D may not generate expected outcomes.

We have been continually devoted to upgrading and improving our existing packaged drinking water and other beverage products, launching new products and exploring new product categories. In 2021, 2022 and 2023, our research and development costs were RMB49.0 million, RMB49.2 million and RMB61.5 million, respectively. Our future efforts in R&D activities may not be successful, or new product or packaging introductions may not be well received by consumers, or our competitors may develop certain new products ahead of us. As market trends and consumer tastes, preferences and spending habits evolve, there can be no assurance that our investment in R&D will always produce the expected outcomes, or at all, failure of which could adversely affect our business, financial condition, results of operations and prospects.

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We may not be able to retain or promptly recruit senior management members or other key personnel required for our operations.

The success of our business is dependent, to a certain extent, on the abilities and contributions of our senior management members and other key personnel who possess industry expertise, know-how or experience in the RTD soft beverage industry in China. See “Directors and Senior Management.” Any loss of such personnel could adversely affect our ability to sustain and develop our business. In addition, our key personnel may join a competitor or establish a competing business or fail to comply with the terms and conditions of their employment contracts. As competition for skilled and experienced talent is intense in our industry, any loss of key personnel or failure to promptly recruit such personnel for our future business development may adversely affect our business.

Any fraud, bribery or other misconduct committed by our employees, customers or other third parties may subject us to financial losses and adverse publicity.

We may be exposed to fraud, bribery, or other misconduct committed by our employees, customers or other third parties, which could subject us to financial losses and penalties from governmental authorities. Although our internal control procedures are designed to monitor our operations and ensure overall compliance, our internal control procedures may be unable to identify all non-compliance, suspicious transactions, fraud, corruption, bribery or other misconduct in a timely manner, or prevent or deter such instances. Our risk management systems and internal control capabilities are limited by the information and risk management tools or technologies available to us. Our ability to implement and maintain stringent internal control may be affected by our expansion in business scale and business scope. If any such misconduct of third parties committed against our interests occurs, we may suffer from negative publicity and reputational damage, or even become subject to litigation and other proceedings, as well as administrative or criminal penalties for such misconduct, thereby adversely affecting our business and results of operations.

Any defect of our IT systems or any failure to comply with relevant data privacy and information security laws can damage our reputation and subject us to legal proceedings and regulatory scrutiny.

We increasingly rely on information technology (“IT”) systems to process, transmit and store information in relation to our operations. A significant portion of the communications between our employees and our Cooperative Manufacturing Partners, suppliers, customers and consumers depends on IT. Our IT systems are subject to various risks beyond our control, including natural disasters, telecommunications failures, power outages, computer viruses, hackers and other security issues. Any such interruption to our IT systems could disrupt our operations and negatively impact our production and ability to fulfill sales orders, which may adversely affect our business and results of operations.

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In addition, we engage in e-commerce for several brands we operate, which includes direct sales to some customers, and we process their personal information in the course of our provision of products to them. The laws and regulations regarding privacy and data protection in the PRC are generally complex and evolving. If we are unable to comply with the applicable data protection and information security laws, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, impair our brand image and could subject us to significant legal, financial and operational consequences. 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 and other proceedings brought by customers and relevant authorities. Any such proceedings could divert our management's attention, result in significant financial losses and expenses, and negatively affect consumers' perception of our brands.

Furthermore, we may from time to time implement, modify and upgrade our IT systems and procedures to support our growth and the development of our business. These modifications and upgrades require investment and may not achieve the anticipated effects or returns of investments, thereby adversely affecting our results of operations and financial condition.

We may not be able to adequately protect our intellectual property rights, and may be subject to infringement of intellectual property rights, or misappropriation claims, by third parties.

We believe our trademarks, patents and other intellectual property rights are crucial to our success. We may be subject to infringement of our intellectual property rights by third parties. For instance, third parties may copy or otherwise obtain and use our intellectual property rights without our prior authorization.

In particular, we may be exposed to the risk of product infringement. There can be no assurance that there will be no unauthorized use of our intellectual property rights in the market. Infringers may illegally manufacture products using our intellectual property rights without our authorization. Such incidents are usually difficult to detect or ban entirely in a timely manner. The occurrence of such incidents may have an adverse impact on our reputation and brands. Our reputation and brands are crucial to our profitability and competitiveness, and any damage to our reputation or brands resulting from product infringement may adversely affect our profitability and competitiveness.

Our measures to enforce or defend our intellectual property rights may not always be successful. We may have to initiate legal proceedings to defend the ownership of our intellectual property rights against any infringement by third parties, which may be costly and time-consuming, and the outcome may be uncertain. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition, results of operations and prospects may be adversely affected.

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Meanwhile, we are subject to risks of intellectual property right infringement or misappropriation claims by third parties in the course of our operations. Defense against any of these claims may be costly and time-consuming, and adverse determination in any such legal proceedings to which we may become a party may subject us to liabilities, or subject us to injunctions prohibiting the provision and marketing of the relevant brands or products, or other negative consequences, thereby disrupting our business operations, damaging our reputation and brands, and adversely affecting our business, results of operations and financial condition.

The renewal of our IP cooperation with KIRIN brand for certain beverage products is subject to uncertainty.

In 2011, pursuant to a strategic collaboration with KIRIN brand, the name of our company was changed to China Resources Kirin Beverages (Greater China) Company Limited, and we have sequentially introduced Gogo-no-Kocha milk tea, FIRE and Sekai-no-Kitchen products as part of our product portfolio. Our revenue generated from sales of the relevant products as a result of such collaboration accounted for 2.0%, 1.5% and 1.4% of our total revenue in 2021, 2022 and 2023, respectively. KIRIN entered into a share purchase agreement with Plateau to transfer all of its 40% equity interest in China Resources Kirin Beverages (Greater China) Company Limited in February 2022, and completed such transfer in August 2022. See “History, Development and Corporate Structure — Major Shareholding Changes of our Company — Share Transfer to Plateau by KIRIN.” Our IP collaboration with KIRIN brand is expected to expire in 2025, and we may reconsider the arrangement of the IP collaboration; depending on the results, our product mix may change.

We may be subject to litigation and other legal proceedings, and may not always be successful in defending ourselves against such claims or proceedings.

We may be involved in litigation and other legal proceedings during the ordinary course of business operations related to, among other things, products or other types of liability, labor disputes, contract disputes or intellectual property disputes that may adversely affect our financial condition. These actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and customer preference for our products. If we become a party in any litigation or other legal proceedings in the future, the outcome of these types of proceedings could be uncertain and lead to legal expenses, and might result in settlements or outcomes that adversely affect our results of operations and financial condition.

We are subject to various risks relating to third-party payments.

During the Track Record Period, a majority of our customers (individually or collectively, the “**Relevant Customer(s)**”) settled payments with us through accounts that do not belong to the contractual parties under the corresponding sales and purchase agreements (the “**Third-Party Payment Arrangements**”). See “Business — Our Sales Network — Third-Party Payment Arrangements.” Since early 2024, we have begun to rectify the Third-Party Payment Arrangements and require our customers to enter into our amended sales and purchase agreements. Under the amended sales and purchase agreements, we only allow payments (i)

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directly from the accounts of the customers or (ii) if not directly from the accounts of the customers, through the accounts of: (a) in the case of sole proprietorships, the actual controllers (or their spouses) of such sole proprietorships, or (b) in the case of corporate entities, their subsidiaries within the same corporate group or, their legal representatives and/or actual controllers pursuant to financing arrangements with commercial banks or authorized financial institutions for settlement with our Group. We had rectified a majority of the Third-Party Payment Arrangements as of the Latest Practicable Date. We are subject to various risks relating to such Third-Party Payment Arrangements, including: (i) possible claims for return of funds from third-party payors who were not contractually indebted to us; (ii) potential risks arising from the fact that we have limited knowledge about the source and purpose of the funds utilized by the third-party payors; and (iii) possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings instituted or brought against us in respect of any third-party payments, we may have to expand financial and managerial resources to defend against such claims or legal proceedings, and our financial condition and results of operations may be adversely affected as a result.

Our insurance coverage may be insufficient to cover our potential liabilities or losses.

We maintain insurance policies to cover potential product liabilities and potential safety issues relating to our production. In addition, we have purchased several property-related insurance policies covering our buildings, facilities, machinery, vehicles, equipment, inventories and other assets. See “Business — Insurance.” Our insurances may not provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs, which could have an adverse effect on our financial condition and results of operations.

Our operation requires various approvals, licenses and permits, and any failure to obtain or renew these approvals, licenses and permits may adversely affect our business and results of operations.

Pursuant to PRC laws and regulations, we are required to maintain various approvals, licenses and permits for our operations. For example, according to relevant requirements of the PRC laws, if we source water directly from rivers, lakes or groundwater, we are required to obtain water-taking permits before drawing water and regularly renew such water-taking permits, and pay fees in relation to water-taking on a regular basis. Meanwhile, in accordance with the Mineral Resource Law of the PRC, we are required to obtain mining permits prior to undertaking any mining activities in connection with mineral water, and pay relevant mineral resource tax; and the mining permits are limited to a specific geographic area and time period, subject to renewal upon expiration. Whether we can continue to carry out mining activities depends on our ability to renew mining permits with the relevant PRC regulatory authorities. Furthermore, as we construct our own production facilities, we are subject to requirements relating to land use rights, filings of records of construction permission and approval and

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records of completion and acceptance, environmental impact assessments, and discharge of pollutants, among other things, of construction projects. If we are unable to obtain the relevant approvals, licenses and permits and complete the relevant procedures, we may not be able to carry out certain activities for our business operations and expansion, and our business, results of operations and prospects could be adversely affected.

We are also required to comply with applicable fire safety, hygiene or food safety standards in relation to our production and sale processes. The premises we used for production and sale are subject to inspections by the regulatory authorities for compliance with the relevant laws and regulations of the PRC. See “Regulatory Overview.” Failure to pass these inspections, or to maintain or renew our approvals, licenses and permits, could subject us to fines and the temporary or permanent suspension of some or all of our production activities, and could disrupt our business operations, and materially affect our business and results of operations. See “Business — Licenses, Approvals and Permits.”

We may face risks relating to labor relations, labor disputes, labor shortages, increases in labor costs and labor law compliance.

The production and sale of packaged drinking water and beverage products are labor-intensive, and our success depends in part on our ability to hire, train, retain and motivate our employees. Any deterioration of our labor relations could lead to labor disputes, which may result in disruption of our production and operations, and adversely affect our business and results of operations.

Although we strive to provide a safe and desirable working environment to our employees to prevent occupational hazards, we may be subject to liability claims, negative publicity and government investigation or intervention in relation to workplace safety or occupational hazards, in particular if our employees, third-party service providers or other parties suffer from personal injuries or casualties at our facilities or during the transportation of our products. Such incidents could worsen our relationship with our employees and damage our brand and reputation.

Moreover, average wages in the society are expected to increase as China’s economy grows, and the trend of labor shortage and aging population may further contribute to increases in labor costs. Any material increase in our labor costs may adversely affect our profitability, results of operations and financial condition. In addition, we may need to increase our total compensations to continually recruit experienced personnel required to achieve our business objectives. Prolonged labor shortages or inflation in labor costs could have an adverse impact on our business, results of operations and financial condition.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. The requirement and implementation of employee benefit plans may vary among local governments in the PRC, and the relevant government authorities may examine whether an employer has made adequate payments of the requisite

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employee benefit payments, employers who fail to make adequate payments as required may be subject to late payment fees, fines and/or other penalties. During the Track Record Period, we paid the social insurance or housing provident funds through third-party human resources agencies for certain of our employees, primarily because they prefer their social insurance and housing provident funds to be paid at their respective places of residence for the convenience of utilizing such benefits locally. The calculation method of contributions of certain of our employees may differ from local requirements. However, we have proactively carried out relevant rectifications and as advised by our PRC Legal Advisor, (i) we were in compliance with applicable laws and regulations related to social insurance and housing provident funds in all material aspects as of the Latest Practicable Date, and (ii) the risk of us being subject to material administrative penalties by relevant labor resources and social welfare government authorities and housing funding government authorities for the above-mentioned issues related to social insurance and housing provident funds during the Track Record Period is remote.

The scarcity or poor quality of water could adversely impact our business.

The quality and quantity of our products rely on the high quality and stable water sources. However, various factors beyond our control such as pollution, geological shifts, natural disasters, climate and other environmental changes can negatively impact the quality and quantity of our water sources, and may increase costs for water purification and treatment or constrain our operations. If our water sources become scarcer or the quality of the water deteriorates, we may incur increased production costs or face manufacturing constraints. Failure to effectively manage the foregoing risks relating to water scarcity and poor quality could negatively affect our business, financial performance and prospects.

We face risks related to health epidemics and other outbreaks, and events such as wars and acts of terrorism, which could significantly disrupt our operations.

Our business is subject to risks related to outbreaks of a widespread health epidemic or pandemic (such as avian influenza, swine influenza, severe acute respiratory syndrome (SARS), Middle East respiratory syndrome coronavirus (MERS-CoV), or COVID-19), or other events such as war, acts of terrorism, environmental accidents, power shortages or communication interruptions. The occurrence of any of the foregoing events may harm the global and regional economy in general, disrupt the RTD soft beverage industry and our operations, and have an adverse effect on our business, results of operations and financial condition.

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Our business is subject to complex and evolving laws and regulations in the PRC. Any non-compliance with various laws and regulations in our operations may subject us to fines and penalties by the governmental authorities.

We are subject to various laws and regulations imposed by the PRC government relating to food safety, environmental protection, health, fire safety and other safety, data protection and privacy, property and labor. As these laws and regulations are complex and evolving, non-compliance with existing and future applicable laws and regulations could subject us to costs or liabilities, including monetary damages and fines, impacts on our production capabilities, suspension of our business operations and a general impact on our financial performance. Any non-compliance with such laws and regulations by us could subject us to legal, financial and operational consequences as well as adverse publicity, which may materially and adversely affect our business and results of operations. See “— Any defect of our IT systems or any failure to comply with relevant data privacy and information security laws can damage our reputation and subject us to legal proceedings and regulatory scrutiny.”

For example, manufacturers within the RTD soft beverage industry in the PRC must comply with PRC food safety laws and regulations. These food safety laws and regulations require all enterprises engaged in the production of food and beverages to obtain the food production permits. They also set out safety standards with respect to food and food additives, packaging and containers, information to be disclosed on packaging as well as requirements for food production and sites, facilities and equipment used for the transportation and sale of food. In recent years, the PRC government has been strengthening the supervision of food safety. The newly revised Food Safety Law of the People’s Republic of China (中華人民共和國食品安全法) and the Regulation on the Implementation of the Food Safety Law of the People’s Republic of China (中華人民共和國食品安全法實施條例) stipulate that businesses engaged in food production should conduct their production and operation activities according to the applicable laws and regulations and food safety standards, establish a comprehensive food safety management system, and take effective measures to prevent and control food safety-related risks to ensure the safety of the food produced. This may increase the compliance costs of RTD soft beverage companies in China like us. Any failure to comply with PRC food safety-related laws and regulations may result in order of rectification, fines, confiscation of illegal gains, order of suspension of operations, revocation of food production and operating permits and, in more extreme cases, prosecution for criminal liabilities. See “Regulatory Overview — Food Related Laws and Regulations.” In the event that the PRC government makes further changes to food safety regulation, our production, sales and distribution costs may increase, and we may be unable to successfully pass these additional costs onto our customers, which could adversely affect our business, results of operations, financial condition and prospects.

We are subject to a wide and increasingly broad array of PRC environmental laws and regulations, which aim to regulate emissions and their impacts to air, land and water. Our operations may result in odors, noise or other pollutants being emitted. Failure to comply with any environmental laws and regulations or any future changes to such laws and regulations could result in alleged harm to employees or others close to our factories. Significant costs to satisfy environmental compliance, remediation or compensatory requirements, or the

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imposition of penalties or restrictions on operations by PRC governmental agencies or courts may adversely affect our business, results of operations and financial condition. See "Business — Licenses, Approvals and Permits."

Increasing concern over sustainability matters, including climate change, will likely result in new or revised laws and regulations aimed at reducing or mitigating the potential effects of greenhouse gases, restricting or increasing the costs of industrial water use due to local water scarcity concerns, or increasing mandatory reporting of certain sustainability metrics, such as recycling. If we fail to comply with applicable environmental compliance mandates or fail to meet sustainability metrics, our business operations and our reputation could be adversely impacted. For risks relating to climate change and water scarcity, see "— Weather, natural disasters and climate change or related legislation could adversely affect our business."

Failure to comply with PRC property-related laws and regulations regarding certain of our owned and leased properties may adversely affect our business.

According to applicable PRC administrative regulations, the lessor and the lessee to a lease agreement are required to file the lease agreement with relevant government authorities within 30 days after the execution of the lease agreement. As of the Latest Practicable Date, we had not filed our lease agreements for 75 properties we leased with the local housing administration authorities as required under PRC laws and regulations. As advised by our PRC Legal Advisor, if we and the landlords fail to register such lease agreements as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreements.

As of the Latest Practicable Date, there were defects in some of our owned or leased properties. As of the same date, the ownership certificates or other similar proof of six of our leased properties (representing approximately 4.90% of our leased properties in gross floor area) had not been provided to us by the relevant lessors. Such leased properties are used as offices. Therefore, such lessors may not be entitled to lease the relevant real properties to us. As advised by our PRC Legal Advisor, in case any such lease is deemed void and we are required to relocate, we are entitled to demand the applicable lessor to return prepaid rent and indemnify us for damages caused by the title defect. As of the same date, 54 leased properties, of which 52 are used for offices and two are used for warehouses, were not in line with their prescribed usage.

Furthermore, as of the Latest Practicable Date, for certain of our owned properties, we had not obtained all relevant property ownership certificates, land use right certificates or other construction-related permits in accordance with PRC laws. See "Business – Properties – Owned Properties." In addition, as of the same date, a storage facility of approximately 422 sq.m. at one of our factories lacked the necessary land use permits and construction documentation, the primary function of which is to store miscellaneous items.

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If we are challenged by third parties or government authorities upon any of the circumstances stated above, we may be subject to fines and may be forced to relocate, as the case may be, and, as a result, our results of operations and financial condition may be adversely affected.

The use of the “China Resources” brand name by other members of CR Group may expose us to reputational risks if these entities take actions that damage the “China Resources” brand name.

As certain trade names such as “華潤” (China Resources) are shared by us and members of the CR Group, details of which are set forth in “Appendix IV — Statutory and General Information – B. Further Information about Our Business – 2. Intellectual Property Rights – (a) Trademarks,” if these other entities or their respective directors, management personnel or other employees take actions that damage such brand names or corporate image, or if any material negative publicity is associated with any of them, for example, as a result of regulatory investigations into, or other proceedings involving, wrongdoing or corrupt practices engaged in by any such entity or person, our brand image and reputation as well as our market value may be adversely affected. Negative perceptions or publicity regarding these matters, even if related to seemingly isolated incidents and whether or not factually correct, could erode trust and confidence and damage our reputation among existing and potential customers, which could adversely affect our business and results of operations.

RISKS RELATED TO CONDUCTING BUSINESS IN THE PRC

Any change in policies in the Chinese economy or the RTD soft beverage industry in China could have an adverse impact on our business, results of operations and financial condition.

Almost all of our business operations and assets are located in mainland China. Accordingly, our financial condition and results of operations are subject to economic, political and legal developments in China. China’s economy has experienced significant growth in the past few decades, and the PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures benefit the overall economy in China, but may not necessarily positively affect us.

As we derive our revenue from the sales of packaged drinking water and beverage products in China, the success of our business depends on the condition and growth of the RTD soft beverage industry in China, which in turn depends on macro economic conditions and individual income levels in China. Any future instability in the Chinese economy or consumer spending could affect our business, results of operations and financial condition. In addition, the RTD soft beverage market in China could be affected by changing operating conditions in China. In particular, the reduction in tariffs on foreign products after further opening up of the Chinese market and entry of more international brands may intensify competition in the RTD soft beverage market in China. The development of this market could also be affected by

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evolving regulatory environment and government policies and other factors beyond our control. Failure to effectively manage such risks may adversely affect our business, results of operations and financial condition.

Tax implications of indirect transfers of equity interests in a PRC-resident enterprise by a non-resident enterprise need to be determined according to the effective laws and regulation and may negatively affect our business and our ability to conduct mergers, acquisitions or other investments.

On February 3, 2015, the State Taxation Administration (“STA”) of the PRC issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“Circular 7”). Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities’ scrutiny of, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose other than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for example, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds, and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. Whether any exemptions under Circular 7 will be applicable to transfers of our Shares by our Shareholders needs to be determined according to the effective laws and regulations. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, the value of your investment in our Shares may be adversely affected.

We may be deemed as PRC tax resident under the Enterprise Income Tax (EIT) Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, enterprises established under the laws of jurisdiction other than China may be considered as PRC tax resident provided that their “*de facto* management body” is located within China. Supplementary rules of the EIT Law interprets “*de facto* management body” as a body that exercises substantial management or control over the business, personnel, finance and properties of an enterprise. Through a circular promulgated in April 2009, the STA of the PRC further clarified the criteria for determining whether an enterprise has a “*de facto* management body” within China. As most of our management is currently based in China and many may remain in China in the future, we and our non-PRC subsidiaries may be treated as PRC tax resident and a number of unfavorable tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income and to PRC enterprise income tax reporting obligations. Any income sourced by us from outside China, such as interest on offering proceeds held outside China, could be subject to PRC enterprise income tax at a rate of 25%.

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While the EIT Law provides that dividend income between “qualified resident enterprises” is exempt from PRC enterprise income tax, it is not clear whether our Company and our non-PRC subsidiaries would be eligible for such exemption were we considered to be PRC tax resident. In addition, if we are treated as PRC tax resident under Chinese laws, capital gains realized from sales of our Shares and dividends we pay to non-PRC resident Shareholders may be treated as income sourced within China. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax. The tax on this income of non-PRC resident enterprise Shareholders would be imposed at a rate of 10% (and may be imposed at a rate of 20% in the case of non-PRC resident individual Shareholders), subject to the provisions of any applicable tax treaty. If we are required to withhold PRC income tax on dividends payable to you, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

Any dividends paid by our PRC subsidiaries to us as a holding company are subject to PRC withholding taxes.

We rely on the distributions to us by our PRC subsidiaries for funding, including to pay dividends to our Shareholders and to service any debt we may incur. Under the EIT Law and its implementation rules, a 10% withholding tax is applicable to the profit of a foreign-invested enterprise distributed to its immediate holding company outside China to the extent the distributed profit is sourced from China, (i) if the immediate holding company is neither a PRC-resident enterprise nor has any establishment or place of business in China, or (ii) if the immediate holding company has an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business. Pursuant to a special arrangement between Hong Kong and China, this rate could be lowered to 5% if a Hong Kong-resident enterprise directly owns over 25% of the Chinese company at all times during the 12-month period immediately prior to obtaining a dividend from such company. In addition, according to a tax circular issued by the STA in February 2009, if the main purpose of an offshore arrangement is to obtain preferential tax treatment, Chinese tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. Chinese tax authorities may not determine that the 5% tax rate applies to dividends received by our subsidiary in Hong Kong from our Chinese subsidiaries, or Chinese tax authorities may levy a higher withholding tax rate on these dividends in the future. In accordance with the Administrative Measures for Convention Treatment for Non-resident Taxpayers (《非居民納稅人享受協定待遇管理辦法》) which was promulgated by the STA and came into effect on January 1, 2020, if non-resident taxpayers consider they are eligible for treatments under the tax treaties through self-assessment, they may, at the time of filing tax returns or making withholding tax filings through withholding agents, enjoy the treatments under the tax treaties, and shall concurrently collect and retain the relevant documents for inspection according to relevant regulations, and accept post-filing administration by the tax authorities.

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Policies and regulations regarding foreign currency conversion may impact our foreign exchange transactions, including dividend payments to holders of our Shares and our ability to finance in foreign currencies.

The conversion of Renminbi into foreign currencies should be in compliance with relevant laws and regulations. We receive substantially all of our revenue in Renminbi, and undertake certain transactions denominated in foreign currencies. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of the SAFE by complying with certain procedural requirements. In particular, under the relevant existing exchange laws and regulations, without prior approval of the SAFE, cash generated from the operations of our PRC subsidiaries may be used to pay dividends to our Company, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have licenses to carry out foreign exchange business. However, the laws, regulations and governmental policies regarding currency conversion are generally complex and evolving. If we cannot obtain sufficient foreign currencies to satisfy our foreign currency demands via the foreign exchange regulation system, we may not be able to pay dividends in foreign currencies to our Shareholders. Foreign exchange transactions under our capital account are subject to the relevant foreign exchange regulations and policies, and may need approval from the SAFE or its local branches. These regulations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

Fluctuations in the value of the Renminbi may have an adverse effect on our financial results, and impact dividend payments, if any, to our Shareholders.

Fluctuations in exchange rates between Renminbi, Hong Kong dollar, the US dollar and other currencies are unpredictable, and may be affected by a number of factors, such as economic and political developments. In 2021, we recognized net foreign exchange loss of RMB2.2 million, in 2022 and 2023, we recognized net foreign exchange gain of RMB2.8 million and RMB0.9 million, respectively. There can be no assurance that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or US dollar in the future. It is difficult to predict how market forces may impact the exchange rates between Renminbi and foreign currencies in the future.

Revaluation of Renminbi may have an adverse effect on your investment. For example, to the extent that we need to convert Hong Kong dollars we receive from this [REDACTED] into Renminbi for our operations, appreciation of Renminbi against Hong Kong dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for any dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us. As a result, fluctuations in exchange rates may have an adverse effect on your investment in our Shares.

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You may encounter difficulty in effecting service of legal process upon, and enforcing foreign judgments against, us, our Directors and senior management.

We are a company registered by way of continuation in the Cayman Islands with substantially all of our assets located within China. Most of our Directors and senior management members reside in China and the majority of their assets are within China.

Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty on that with China. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**2006 Arrangement**”), pursuant to which reciprocal recognition and enforcement of the judgment may be possible between these two jurisdictions provided that the judgment is rendered by a final court of these two jurisdictions and the parties have an expressly written choice of court.

On January 18, 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”) was signed between the Supreme People’s Court of China and Hong Kong, and such arrangement came into effect on January 29, 2024. Compared with the 2006 Arrangement, the 2019 Arrangement seeks to establish a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and the PRC in civil and commercial matters under both Hong Kong and PRC laws. The 2019 Arrangement applies to judgments made by the courts of Hong Kong and the PRC on or after its commencement date. The 2006 Arrangement was superseded upon the effective date of the 2019 Arrangement. However, the 2006 Arrangement will remain applicable to a “choice of court agreement in writing” as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement takes effect. As the 2019 Arrangement went effective relatively recently, its implementation and interpretation is still evolving.

It may be difficult or impossible for you to enforce a judgment between these jurisdictions if you have not agreed on sole jurisdiction with the other party. As a result, you may encounter difficulty in enforcing foreign judgments against us or our Directors or senior management members.

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Filing with the CSRC may be required in connection with our future offerings, and we cannot predict whether we will be able to complete such filing.

On February 17, 2023, the CSRC released Trial Administrative Measures for 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 Trial Measures**”) and five relevant guidelines, which became effective on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies which, after the overseas offering and listing, offers subsequent securities in the same overseas market or conducts offering and listing in other overseas markets (the “**Future Offerings**”), shall complete the filing procedures of, and report relevant information to, the CSRC. See “Regulatory Overview — Overseas Listing.”

Based on the foregoing, for the Future Offerings after the proposed [REDACTED], we are required to comply with the filing procedures of the CSRC. It is uncertain whether we can, or how long it will take us to, complete filings procedures in connection with the Future Offerings. We may be subject to approval, filing or other requirements by other PRC government authorities under the PRC laws in the future. Any failure to complete the relevant procedures may have an adverse effect on Future Offerings.

RISKS RELATED TO [REDACTED]

There has been no prior public market for our Shares, and an active [REDACTED] market for our Shares may not develop or be sustained.

Before the [REDACTED], there was no public market for our Shares. The [REDACTED] of our Shares, and the [REDACTED], will be the result of negotiations between the [REDACTED] (on behalf of the [REDACTED]) and us. The [REDACTED] may differ from the market price for our Shares following the [REDACTED].

In addition, while we have applied to have our Shares [REDACTED] on the Stock Exchange, (i) an active [REDACTED] market for our Shares may not develop or, (ii) if it does, that it may not be sustained following completion of the [REDACTED], or (iii) the market price of our Shares may decline below the [REDACTED]. You may not be able to resell your shares at a price that is attractive to you, or at all.

The price and [REDACTED] volume of our Shares may be volatile, which could lead to substantial losses for investors.

The price and [REDACTED] volume of our Shares may be volatile. The market price of our Shares may fluctuate significantly and rapidly as a result of the following factors, among others, some of which are beyond our control: (i) actual or anticipated variations of our results of operations; (ii) loss of key raw material and packaging material suppliers; (iii) changes in securities analysts’ estimates or market perception of our financial performance; (iv) announcement by us of significant acquisitions; (v) addition or departure of senior management members or other key personnel; (vi) fluctuations in stock market price and volume; (vii)

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regulatory or legal developments, including involvement in litigation; (viii) fluctuations in [REDACTED] volume or the release of lock-up or other transfer restrictions on our outstanding Shares or sales of additional Shares by us; and (ix) general economic, political and stock market conditions.

In addition, stock markets and the shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market and industry fluctuations may materially and adversely affect the market price of our Shares.

There can be no assurance that we will declare and distribute any dividend in the future.

As a holding company, our ability to declare future dividends will depend on the availability of dividends, if any, received from our operating subsidiaries. Distribution of dividends shall be decided by our Board of Directors at their discretion in compliance with the applicable laws and regulations. A decision to declare or to pay any dividends and the amount thereof depends on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits of our subsidiaries and dividends they pay to us, future plans and business prospects, market conditions, the Articles, regulatory restrictions and our contractual obligations. As a result, there can be no guarantee as to when, whether or in what form and amount dividends will be paid on our Shares in the future. See “Financial Information — Dividend Policy.”

You will incur immediate and significant dilution if the [REDACTED] is higher than the net tangible asset value per Share and may experience further dilution if we issue additional Shares in the future.

The initial [REDACTED] of our Shares is higher than the net tangible asset value per Share of the outstanding Shares issued to our existing Shareholders immediately prior to the [REDACTED]. Therefore, purchasers of our Shares in the [REDACTED] will experience an immediate dilution in terms of the [REDACTED] net tangible asset value. In addition, we may consider offering and issuing additional Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. Purchasers of our Shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share.

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

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

Our Controlling Shareholders are able to exercise significant influence over us.

Immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), CRH Beverage and Plateau will own approximately [REDACTED]% and [REDACTED]% of the enlarged share capital of our Company, respectively. Our Controlling Shareholders will have the ability to exercise significant influence over us, including matters relating to the nomination and election of our Directors, business strategies, dividend and other distributions, and major corporate activities, including securities offerings, acquisitions or investments. The interests of our Controlling Shareholders may not align with that of our other Shareholders.

Plateau may cease to be a Controlling Shareholder of our Company in the event that its Share Pledge are enforced after the expiry of the lock-up period.

As of the Latest Practicable Date, all the Shares held by Plateau in the Company, representing 40% of our Company’s total issued share capital, were subject to pledges pursuant to a loan agreement between Plateau and certain bank consortium (the “**Share Pledge**”). See “Substantial Shareholders – Share Pledge by Plateau.” On October 11, 2023, Bank of China (Hong Kong) Limited (“**BOCHK**”) (as security agent on behalf of the bank consortium) has issued an undertaking letter to the Company, pursuant to which, (a) in the period from the date of this document to six months from the [REDACTED] (the “**First Six Months**”), for purposes of fulfilling the requirements under Rule 10.07(1)(a) of the Listing Rules, BOCHK shall not enforce the Share Pledge so as to cause any change to the shareholding of Plateau in our Company; and (b) in the period of six months from the date on which the First Six Months expires (the “**Second Six Months**”), for purposes of fulfilling the requirements under Rule 10.07(1)(b) of the Listing Rules, BOCHK shall not enforce the Share Pledge so as to cause Plateau to cease to be a Controlling Shareholder of our Company. In the event that BOCHK enforces the Share Pledge following expiry of the Second Six Months which causes Plateau’s shareholding to fall below 30% of the total issue share capital of our Company, Plateau will cease to be a Shareholder or a Controlling Shareholder of the Company, in which case, the shareholding structure of the Company may change.

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

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

Facts, forecasts and statistics in this document relating to the PRC and global economy and the industry in which we operate may not be fully reliable.

Certain facts, forecasts and statistics in this document relating to the PRC and global economy and the industries in which we operate are obtained from various sources including official government publications that we believe are reliable. However, there can be no guarantee of the quality or reliability of these sources. Neither we, the [REDACTED] nor our or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this document relating to the PRC, the global economy and the industry in which we operate may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Furthermore, there can be no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy. Therefore, you should not unduly rely upon the industry facts, forecasts and statistics contained in this document.

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 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

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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.

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

Prior to the publication of this document, there has been press and media coverage regarding us and the [REDACTED], including but not limited to certain financial information, projections, industry comparison, valuations and/or 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. To the extent that any such information appearing in publications other than this document is inconsistent with, or conflicts with, the information contained in this document, we disclaim it, and accordingly you should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the information included in this document.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], we have applied to the Hong Kong Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must ordinarily reside in Hong Kong. Given that (i) our business operations are principally located, managed and conducted in the PRC and will continue to be principally based in the PRC; (ii) all of our Group’s executive Directors and senior management team principally reside in the PRC and will continue to reside in the PRC; and (iii) the management and operation of our Group have mainly been under supervision of the executive Directors of our Company, who are principally responsible for the overall management, corporate strategy, planning, business development and control of our Group’s business, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Hong Kong Stock Exchange [has granted] us, a waiver from strict compliance with Rule 8.12 of the Listing Rules, subject to the following conditions to maintain regular and effective communication between the Hong Kong Stock Exchange and ourselves:

- (i) **Authorized Representatives:** We have appointed Mr. ZHANG Weitong (張偉通) (“**Mr. Zhang**”) and Mr. CHUNG Ming Fai (鍾明輝) (“**Mr. Chung**”) as our authorized representatives (“**Authorized Representatives**”) for the purpose of Rule 3.05 of the Listing Rules. The Authorized Representatives will act as our principal channel of communication with the Hong Kong Stock Exchange. Each of them has confirmed that he can be readily contactable by phone, facsimile and email to deal promptly with enquiries from the Stock Exchange. The Company has provided contact details of the two Authorized Representatives to the Stock Exchange and will inform the Stock Exchange as soon as practicable in respect of any change in the Company’s authorized representatives. Accordingly, our Authorized Representatives will be able to meet with the relevant members of the Stock Exchange to discuss any matters in relation to our Company within a reasonable period of time. See “Directors and Senior Management” for further biographical details of our Authorized Representatives;
- (ii) **Directors:** 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. To facilitate communication with the Stock Exchange, we have provided our Authorized Representatives and the Stock Exchange with the contact details of each of our Directors, including his/her mobile phone numbers, office phone numbers, e-mail addresses and fax numbers (to the extent applicable). In the event that any Director expects to travel or otherwise be out of office, he or

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

she will provide the phone number of the place of his/her accommodation to the Authorized Representatives. To the best of our knowledge and information, each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period after requested by the Stock Exchange;

- (iii) **Compliance Advisor:** We have appointed Altus Capital Limited as our compliance advisor (“**Compliance Advisor**”) pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will, among other things and in addition to the Authorized Representatives, provide us with professional advice on continuing obligations under the Listing Rules and act as our additional channel of communication with the Hong Kong Stock Exchange during the period from the [REDACTED] to 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 immediately after the [REDACTED]. The Compliance Advisor will act as the additional and alternative channel of communication with the Stock Exchange when the Authorized Representatives are not available and its representatives will be readily available to answer inquiries from the Hong Kong Stock Exchange.

- (iv) **Company Secretary:** We have appointed Mr. Chung, who ordinarily resides in Hong Kong, as our company secretary. Mr. Chung will maintain constant contact with our Directors and senior management members through various means.

WAIVER IN RELATION TO 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. Accordingly, we have applied for, and the Hong Kong Stock Exchange [has granted] us, waivers in relation to certain continuing connected transactions between us and our connected persons under Chapter 14A of the Listing Rules. See “Connected Transactions.”

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

For further information on our Directors, see "Directors and Senior Management" in this document.

DIRECTORS

| Name | Address | Nationality |
|--------------------------------|--|-------------|
| Executive Directors | | |
| Mr. ZHANG Weitong (張偉通先生) | 19H, Yinxing Ge, Yinzhuang Building, No. 1013 Jintian Road Futian District, Shenzhen Guangdong Province, PRC | Chinese |
| Ms. FENG Jing (馮晶女士) | 28C, Building 6 Phase III, Bandao Chengbang Nanshan District, Shenzhen Guangdong Province, PRC | Chinese |
| Ms. WU Xia (吳霞女士) | Room 601, Block E Building 7, Jialan Garden Vanke Siji Huacheng No. 999 Gaoxin Seventh Road Gaoxin Development Zone, Nanchang Jiangxi Province, PRC | Chinese |
| Non-executive Directors | | |
| Mr. LIN Guolong (林國龍 先生) | 1-1-16B, China Resources Yinhu Lanshan 1028 Beihuan Avenue Luohu District, Shenzhen Guangdong Province, PRC | Chinese |
| Mr. SUN Yongqiang (孫永強先生) | 1801, Unit 1, 15/F Building 3, Xuefushu Jiayuan Haidian District Beijing, PRC | Chinese |
| Mr. XIAO Ning (肖寧先生) | Room 401, Unit 22, Building 22 No. 28 Shekou Gongye Ninth Road Nanshan District, Shenzhen Guangdong Province, PRC | Chinese |

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

| | | |
|--|--|----------------------|
| Ms. CAO Yue (曹越女士) | Room 1602, Building 4, Haishengmingyuan Dongzhimenwai Street Dongcheng District Beijing, PRC | Chinese |
| Dr. ZHAO Dian (趙典博士) | Room 1003, Unit 1, Building 13 Yard 12, Shuangqiao East Road Chaoyang District Beijing, PRC | Chinese |
| Independent non-executive Directors | | |
| Dr. CHOW Wing Kin Anthony (周永健博士) | 9A Po Garden, 9 Brewin Path Mid-levels, Hong Kong | British |
| Mr. LI Yinquan (李引泉先生) | Unit C, 20/F, Block 3 Grand Austin, 9 Austin Road West Tsim Sha Tsui, Hong Kong | Chinese Hong Kong |
| Dr. YAO Yang (姚洋博士) | 10D, Unit 2 Building 3, Yuanda Park No. 5 District Haidian District Beijing | Chinese |
| Ms. CHENG Po Chuen (鄭寶川女士) | Room 4102, 2/F, Block 41 Baguio Bay, 550 Victoria Road Pok Fu Lam, Hong Kong | Chinese Hong Kong |

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

(in alphabetical order)

BOCI Asia Limited

26/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

CITIC Securities (Hong Kong) Limited

18/F, One Pacific Place
88 Queensway
Hong Kong

Merrill Lynch (Asia Pacific) Limited

55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

UBS Securities Hong Kong Limited

52/F Two International Finance Centre
8 Finance Street
Central
Hong Kong

[REDACTED], [REDACTED],
[REDACTED], [REDACTED]
and [REDACTED]
(in alphabetical order)

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

**Reporting Accountant and
Independent Auditor**

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

Legal Advisors to the Company

As to Hong Kong and US laws:
Clifford Chance
27th Floor, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

As to Cayman Island law:
Harney Westwood & Riegels
3501 The Center
99 Queen's Road Central
Hong Kong

**Legal Advisors to the Joint Sponsors
and the [REDACTED]**

As to Hong Kong and US laws:
Paul Hastings
22/F, Bank of China Tower
1 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

As to PRC law:

Zhong Lun Law Firm

6/10/11/16/17F, Two IFC

8 Century Avenue

Pudong New Area

Shanghai

PRC

Industry Consultant

China Insights Industry

Consultancy Limited

10F, Block B, Jing'an International Center

88 Puji Road

Jing'an District

Shanghai

PRC

[REDACTED]

CORPORATE INFORMATION

| | |
|--|--|
| Registered Office | 4th Floor, Harbour Place P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands |
| Headquarters and Principal Place of Business in the PRC | Shenzhen High-tech Industrial Park (North District) 22 Langshan Road Nanshan District, Shenzhen Guangdong Province, PRC |
| Principal Place of Business in Hong Kong | 37/F, China Resources Building 26 Harbour Road, Wanchai Hong Kong |
| Company's Website | <u>www.crbeverage.com</u> (the information contained on this website does not form part of this document) |
| Company Secretary | Mr. CHUNG Ming Fai (鍾明輝先生) |
| Authorized Representatives | Mr. ZHANG Weitong (張偉通先生) Mr. CHUNG Ming Fai (鍾明輝先生) |
| Audit Committee | Dr. YAO Yang (姚洋博士) (Chairman) Mr. LIN Guolong (林國龍先生) Ms. CAO Yue (曹越女士) Dr. CHOW Wing Kin Anthony (周永健博士) Mr. LI Yinquan (李引泉先生) Ms. CHENG Po Chuen (鄭寶川女士) |
| Nomination Committee | Mr. ZHANG Weitong (張偉通先生) (Chairman) Dr. ZHAO Dian (趙典博士) Mr. LI Yinquan (李引泉先生) Dr. YAO Yang (姚洋博士) Ms. CHENG Po Chuen (鄭寶川女士) |
| Remuneration and Appraisal Committee | Mr. LI Yinquan (李引泉先生) (Chairman) Mr. SUN Yongqiang (孫永強先生) Ms. CAO Yue (曹越女士) Dr. CHOW Wing Kin Anthony (周永健博士) Ms. CHENG Po Chuen (鄭寶川女士) |

CORPORATE INFORMATION

Strategy and Investment Committee

Ms. CAO Yue (曹越女士) (Chairwoman)
Ms. FENG Jing (馮晶女士)
Ms. WU Xia (吳霞女士)
Mr. XIAO Ning (肖寧先生)
Dr. ZHAO Dian (趙典博士)
Dr. YAO Yang (姚洋博士)

Compliance Advisor

Altus Capital Limited
21 Wing Wo Street
Central, Hong Kong

[REDACTED]

Principal Banks

Bank of China Limited
Shenzhen Shekou Wanggu Branch
First floor, Huacai Garden
Shekou Industrial 7th Road, Merchants Street
Nanshan District, Shenzhen
Guangdong Province, PRC

China Merchants Bank
Shenzhen New Era Branch
1st Floor, New Times Square
No. 1 Taizi Road
Nanshan District, Shenzhen
Guangdong Province, PRC

China Construction Bank Co., Ltd.
Shenzhen Donghu Branch
28 Taining Road
Luohu District, Shenzhen
Guangdong Province, PRC

MUFG Bank, Ltd., Hong Kong Branch
8/F, AIA Central, 1 Connaught Road
Central, Hong Kong

INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by CIC (the “CIC Report”). We engaged CIC to prepare the CIC Report in connection with the [REDACTED]. The information from official government sources has not been independently verified by us, any of the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] and the [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy.

OVERVIEW OF THE RTD SOFT BEVERAGE MARKET IN CHINA

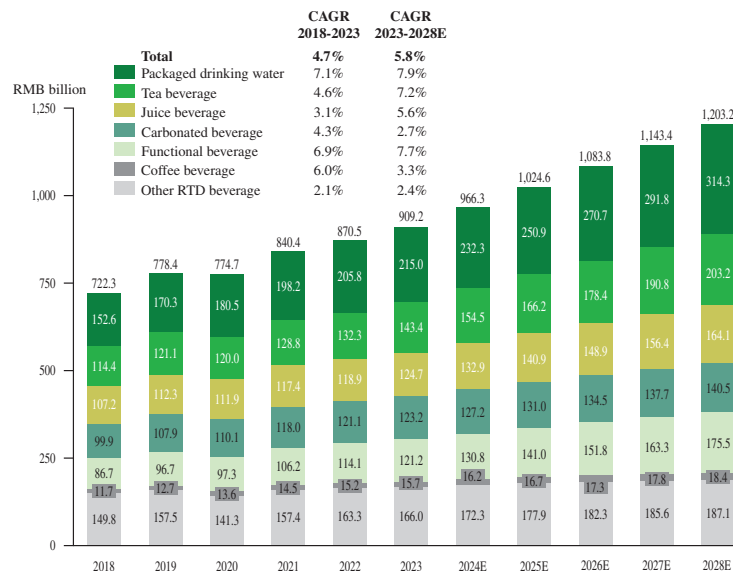
Overview

RTD soft beverage refers to non-alcoholic beverage products that are ready-to-drink, which excludes solid beverage, dairy products and freshly made beverages. China is one of the world’s largest RTD soft beverage markets. RTD soft beverage products in China are primarily categorized into: (i) packaged drinking water; (ii) tea beverage; (iii) carbonated beverage, (iv) juice beverage; (v) functional beverage; (vi) coffee beverage; and (vii) other RTD soft beverages, such as protein beverage. According to the CIC Report, the size of the RTD soft beverage market in China in terms of retail sales value reached RMB909.2 billion in 2023, growing at a CAGR of 4.7% from 2018 to 2023.

Driven by increasing urbanization rate, increasing disposable income, consistent product innovation, continuous market segmentation and diversification of sales channels, the size of RTD soft beverage market in China in terms of retail sales value is expected to increase to RMB1,203.2 billion by 2028, growing at a CAGR of 5.8% from 2023 to 2028.

Packaged drinking water is the largest category in terms of retail sales value, with a market size of RMB215.0 billion in 2023, which is expected to grow at a CAGR of 7.9% from 2023 to 2028, the fastest among all RTD soft beverage categories. The following chart sets forth the historical and projected market size of the RTD soft beverage market in China in terms of retail sales value by product category:

RTD Soft Beverage Market Size in China by Product Category (2018-2028E)



Source: the CIC Report

INDUSTRY OVERVIEW

Notes:

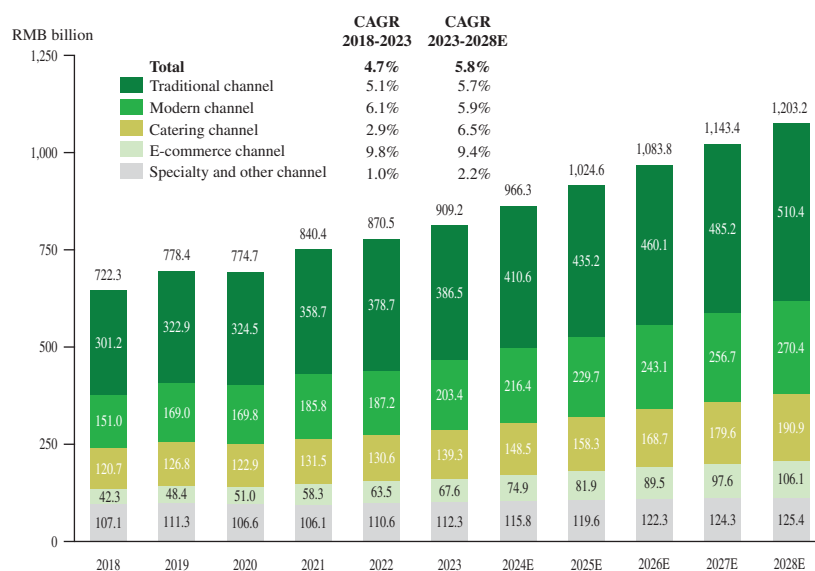
- (1) Tea beverage includes: (i) sugar-free tea beverage; (ii) herbal-based tea beverage (sugar-sweetened tea beverage such as chrysanthemum tea, chenpi tea and white gourd drink); and (iii) other sugar-sweetened tea beverages (such as lemon tea and milk tea).
- (2) Juice beverage includes: (i) pure juice (100%); (ii) medium concentration juice (25%≤ juice concentration <100%); (iii) low concentration juice (10%≤ juice concentration <25%); and (iv) flavored water (5%≤ juice concentration <10%).

Sales Channels

Major sales channels of the RTD soft beverage market in China include: (i) traditional channel, primarily referring to small non-chained grocery stores and water delivery shops that are typically owned and operated by individual vendors or households; (ii) modern channel, which primarily includes hypermarkets, supermarkets and chained convenience stores; (iii) catering channel, which primarily refers to restaurants and other catering service providers; (iv) e-commerce channel, which primarily refers to online sales platforms; and (v) other channels, which primarily include specialty channels such as airlines, train stations, gas stations, highway service areas, hotels and sports venues, as well as other retail channels.

The traditional and modern channels feature vast numbers of outlets, wide coverage and immediate access. As a result, such channels are utilized by RTD soft beverage companies as the major channels to reach a broader consumer base. The following chart sets forth the historical and projected size of the RTD soft beverage market in China in terms of retail sales value by sales channel:

RTD Soft Beverage Market Size in China by Sales Channel (2018-2028E)



Source: the CIC Report

INDUSTRY OVERVIEW

Industry Drivers and Future Trends

The RTD soft beverage market in China is expected to be driven by the following drivers and exhibit the following trends:

- ***Increasing Purchasing Power and Per Capita Consumption for RTD Soft Beverages.*** Increasing urbanization rate and per capita disposable income in China continuously enhance the purchasing power of consumers for RTD soft beverages, which is expected to further drive growth of the RTD soft beverage market in China. Meanwhile, in 2023, the per capita consumption volume of RTD soft beverages in China (124.7L) remains significantly lower than that in developed markets such as the US (402.2L), Japan (195.7L) and Hong Kong (172.3L), which indicates substantial potential for growth in the RTD soft beverage market in China.
- ***Sales Channel Diversification.*** While the traditional and modern channels continue to dominate RTD soft beverage sales in China due to their unique consumer engagement opportunities and indispensable role in fulfilling the consumption scenarios, the diversified and emerging sales channels, including e-commerce channel and catering channel, have improved consumers’ purchasing experience and gained increasing popularity among consumers. In addition, the development of delivery service helps modern and traditional channels expand their coverage, and meets consumers’ expectations in relation to accessibility and convenience. The development of diverse sales channels in the RTD soft beverage market is expected to promote consumers’ purchases of RTD soft beverage products, thereby gradually unleashing the market potential in cities of all tiers.
- ***Growing Health Awareness.*** Similar to many other countries, Chinese consumers’ health awareness with respect to food and beverage consumption has been rising in recent years, with health concepts such as zero/low sugar, zero/low calorie, additive-free, herbal-based, plant-based and efficacy becoming increasingly popular in the RTD beverage market in China. Such trends will continue to drive the growth of certain product categories, such as packaged drinking water and sugar-free beverages, making them more popular than other types of drinks.
- ***Launch of New Products to Continuously Meet Consumer Needs.*** Leading RTD soft beverage enterprises in China have been continually enriching their product offerings and expanding their coverage across various RTD soft beverage categories to cater to evolving consumer needs and consumption scenarios. In particular, the boundary between packaged drinking water and other RTD soft beverages is becoming indistinct, leading to the introduction of flavored water, sparkling water and other types of beverage products with intricate flavors, rich texture and diverse benefits, to satisfy consumers’ preferences related to health, taste and nutrition.
- ***Increasing ESG Awareness.*** Chinese society is expecting RTD soft beverage companies to make more contributions to sustainability and social responsibility. Companies showing more commitment, for example by adopting sustainable packaging materials, implementing water management systems, focusing on community empowerment and investing in carbon reduction operations, are able to align their development with the values and expectations of Chinese society on ESG.

INDUSTRY OVERVIEW

OVERVIEW OF THE PACKAGED DRINKING WATER MARKET IN CHINA

Overview

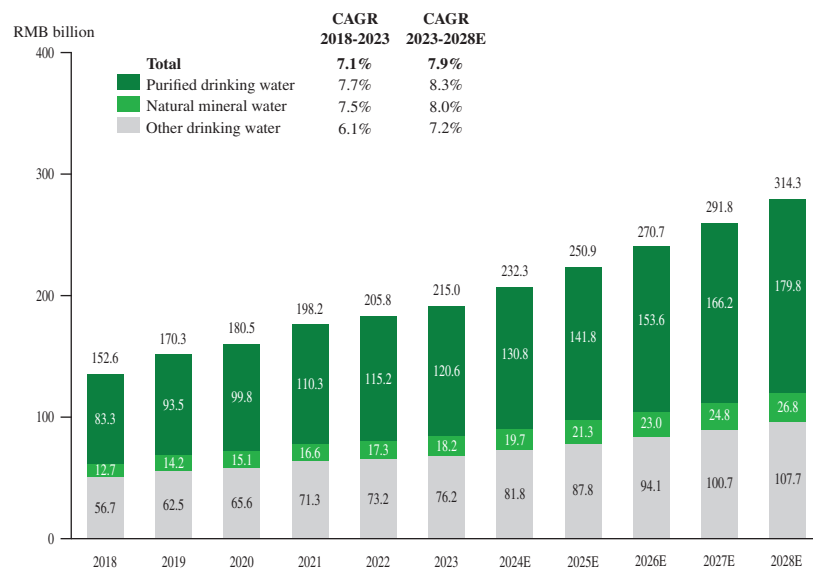
According to the relevant Chinese national standards (GB/T 10789-2015), packaged drinking water is defined to comprise: (i) purified drinking water, which is derived from the surface water, groundwater, or public water supply system and is properly purified through processes including distillation, electrodialysis, ion exchange and reverse osmosis; (ii) natural mineral water, which naturally emerges from deep beneath of the ground or is collected after drilling, contains a certain amount of minerals and trace elements; and (iii) other drinking water. Packaged drinking water products are characterized by inelastic and persistent demand, suitability for all age groups, and affordability.

Market Size

According to the CIC Report, the size of the packaged drinking water market in China by retail sales value was RMB215.0 billion in 2023, growing at a CAGR of 7.1% from 2018 to 2023, and is expected to reach RMB314.3 billion by 2028, growing at a CAGR of 7.9% from 2023 to 2028. This market accounted for 23.6% of the RTD soft beverage market in China by retail sales value in 2023, and is estimated to remain its leadership by 2028.

The following chart sets forth the historical and projected size of the packaged drinking water market in China in terms of retail sales value by segment:

Packaged Drinking Water Market Size in China by Segment (2018-2028E)



Source: the CIC Report

INDUSTRY OVERVIEW

Purified drinking water is the largest segment of the packaged drinking water market in China in terms of retail sales value, reaching RMB120.6 billion in 2023, accounting for 56.1% of the packaged drinking water market in China. This segment is expected to experience continual growth, reaching RMB179.8 billion in terms of retail sales value, accounting for 57.2% of the packaged drinking water market in China in 2028. As the purified drinking water has the characteristics of fast production expansion, low logistics cost and inherent quality that constructs association with healthfulness and safety, it is expected that purified drinking water will maintain its prominence in the next five years with projected growth rate higher than all other segments under packaged drinking water market.

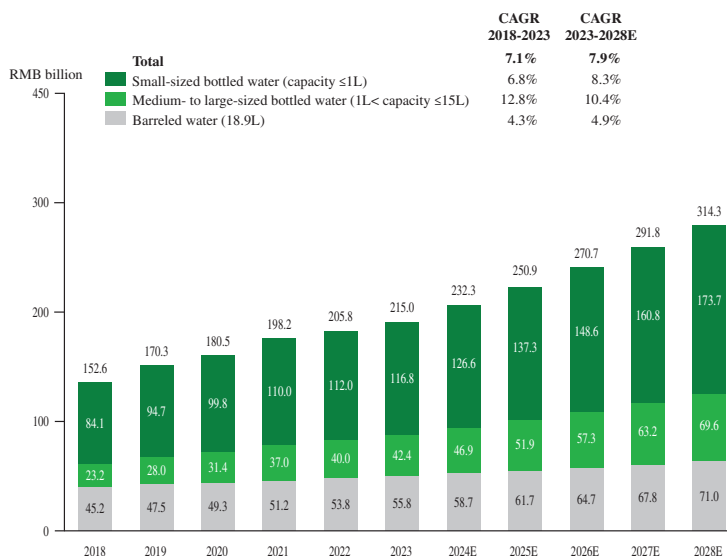
Below are some observations and characteristics of the purified drinking water segment:

- Over the past ten years, approximately half of the retail sales in the packaged drinking water market in the US came from purified drinking water. Sharing the similar attributes of the US packaged drinking water market, including the segmentation of the packaged drinking water market, water resources and public water supply systems, the purified drinking water is expected to remain as the largest segment of the packaged drinking water market in China in the foreseeable future.
- Most world-leading packaged drinking water enterprises identify purified drinking water as their core product.
- Compared to other types of packaged drinking water, purified drinking water has fewer production capacity constraints, while enjoying advantages such as rapid mass production and low logistics costs.
- Inherent qualities of purified drinking water such as its association with health and safety, appeal to many Chinese consumers that prefer healthy hydration. Other than RTD consumption, its purity makes it versatile for tea making, cooking and other household uses. As a region distinguished by high life expectancy, Hong Kong launched the purified drinking water product in 1903, representing the first runner in purified drinking water consumption in east Asia.
- There are substantial industry consolidation opportunities in the purified drinking water segment in China, given the large number of small-scale and regional enterprises in this segment. As of December 31, 2023, there were over 15,000 purified drinking water manufacturers in China.

By package sizes, according to the CIC Report, packaged drinking water in China is generally divided into the following: (i) small-sized bottled water (capacity \leq 1L), mainly for RTD scenarios; (ii) medium- to large-sized bottled water (1L < capacity \leq 15L), mainly for consumption scenarios such as household, catering and outdoor; and (iii) barreled water, typically 18.9L (5 gallons). The following chart sets forth the historical and projected size of China's packaged drinking water market in terms of retail sales value by package size:

INDUSTRY OVERVIEW

Packaged Drinking Water Market Size in China by Package Size (2018-2028E)

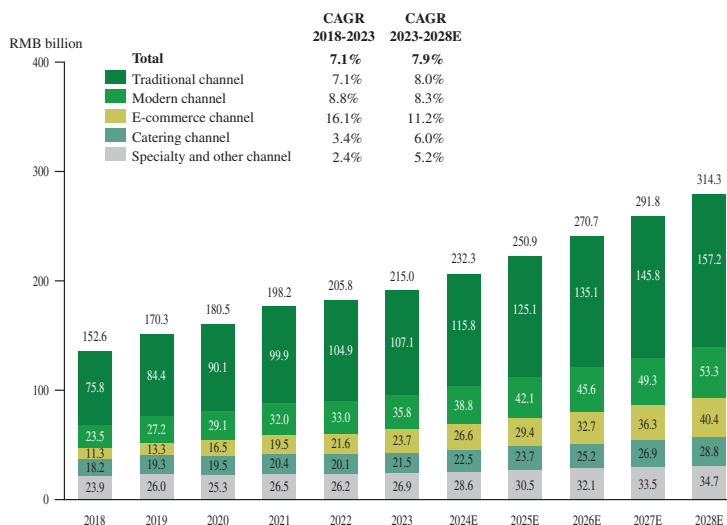


Source: the CIC Report

Sales Channels

The sales channels of the packaged drinking water market in China are similar to those of the RTD soft beverage market in China, in which the traditional and modern channels are utilized by packaged drinking water companies as the major channels to reach a broad consumer base. The following chart sets forth the historical and projected size of the packaged drinking water market in China in terms of retail sales value by sales channel:

Packaged Drinking Water Market Size in China by Sales Channel (2018-2028E)



Source: the CIC Report

INDUSTRY OVERVIEW

Industry Drivers and Future Trends

The packaged drinking water market in China is expected to be driven by the following drivers and exhibits the following trends:

- ***Increasing Water Safety Awareness.*** As consumers are becoming more conscious of water safety in light of rising concerns over the quality of tap water, the demand for packaged drinking water products is expected to rise continuously. In particular, the consumption volume of packaged drinking water represented 11.5% of the overall drinking water consumption volume of Chinese residents in 2018, which increased to 14.4% in 2023, substantially lower than that of developed markets including the US (59.7%) and Hong Kong (22.7%), and is expected to further increase to 18.9% in 2028.
- ***Stronger Preference for Healthy Hydration.*** In recent years, many consumers prefer packaged drinking water or diet-version beverages over regular, full-calorie beverages. For example, in the RTD soft beverage market in China, the percentage by retail sales value of packaged drinking water is expected to increase from 21.1% in 2018 to 26.1% in 2028, while that of sugar-sweetened carbonated beverages is expected to decline from 10.9% in 2018 to 7.9% in 2028.
- ***Diverse Household Consumption Scenarios.*** Against the backdrop of increasing urbanization, and smaller family sizes, household consumption scenarios such as tea making, cooking and dining have emerged and gained popularity. Consumers have developed varying requirements under different consumption scenarios in terms of package types and sizes of drinking water. In particular, medium- to large-sized bottled water is expected to serve as an alternative to tap water that is considered to have safety and quality concerns. Furthermore, the development of delivery services promotes the accessibility and convenience of making purchases, facilitating the consumption of medium- to large-sized bottled water. The medium- to large-sized bottled water contributed to 15.2% of China's packaged drinking water market in terms of retail sales value in 2018, which increased to 19.7% in 2023 and is expected to reach 22.2% by 2028. As consumption scenarios become more diverse, the consumption frequency of packaged drinking water is expected to increase, thereby further driving the growth of this market.
- ***Association with Sports and Fitness.*** As Chinese consumers are paying more attention to exercising and healthy lifestyles, the proportion of regular exercisers reached 37.2% of the total population in China during the 13th Five-Year Plan period and is expected to increase to 40% or above by 2030. Sports, especially outdoor workouts, are expected to drive the growth of the packaged drinking water market given the strong association of packaged drinking water with sports and fitness.
- ***Diversification of Product Offering.*** Leading players in this market have enriched their product categories, and developed various package types at different price levels, intending to cater to more diversified consumer needs and cover a broader consumer base.

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

The RTD Soft Beverage Market in China

The RTD soft beverage market is relatively concentrated in China, with the five largest players contributing a 42.6% market share in terms of retail sales value in 2023, which is expected to continue to rise. The leading players are expected to maintain and increase their market shares, capitalizing on well-established brand recognition, sales channel presence, comprehensive product portfolio and R&D capabilities. In addition, prominent global RTD soft beverage companies have demonstrated that market leaders within a core category can readily leverage their existing infrastructure to swiftly establish dominant positions in other categories.

According to the CIC Report, the Company ranked fifth in terms of retail sales value in the RTD soft beverage market in China in 2023.

Top Five Companies in China’s RTD Soft Beverage Market, by Retail Sales Value, China, 2023

| Company/Group Name | Total retail sales value, RMB in billions, 2023 | Market share, % |
|--------------------------|--|--------------------|
| Company A ⁽¹⁾ | 94.4 | 10.4% |
| Company B ⁽²⁾ | 87.7 | 9.6% |
| Company C ⁽³⁾ | 87.5 | 9.6% |
| Company D ⁽⁴⁾ | 75.4 | 8.3% |
| The Company | 42.3 | 4.7% |
| Top 5 subtotal | 387.4 | 42.6% |
| Total | 909.2 | 100.0% |

Source: the CIC Report

Notes:

- (1) Established in 1987 in Zhejiang Province, China, Company A is a non-listed company focusing on multiple industries, including food and RTD soft beverage, equipment, logistics, etc.
- (2) Established in 1958 in Taiwan, China, Company B is a listed food and RTD soft beverage company.
- (3) Established in 1996 in Zhejiang Province, China, Company C is a listed RTD soft beverage company.
- (4) Established in 1892 in the U.S., Company D is a listed RTD soft beverage company.

The Packaged Drinking Water Market in China

The concentration of the packaged drinking water market in China is continuously increasing, with the total market share of the five largest players in terms of retail sales value increasing from 56.2% to 58.6% from 2021 to 2023.

According to the CIC Report, the Company ranked second in the packaged drinking water market in China in 2023, and ranked first in the purified drinking water market in China in terms of retail sales value.

INDUSTRY OVERVIEW

Top Five Companies in China’s Packaged Drinking Water Market, by Retail Sales Value, China, 2023

| Company/Group Name | Total retail sales value RMB in billions, 2023 | Market share, % |
|--------------------------|---|-----------------|
| Company C | 50.7 | 23.6% |
| The Company | 39.6 | 18.4% |
| Company E ⁽¹⁾ | 13.2 | 6.1% |
| Company A | 12.0 | 5.6% |
| Company B | 10.5 | 4.9% |
| Top 5 subtotal | 126.0 | 58.6% |
| Total | 215.0 | 100.0% |

Source: the CIC Report

Note:

- (1) Established in 1992 in Guangdong Province, China, Company E is a non-listed RTD soft beverage company.

Purified drinking water is the largest segment of the packaged drinking water market in China in terms of retail sales value in 2023. The Company generated a retail sales value of RMB39.5 billion in 2023, nearly four times that of the second largest player, and exceeding the combined retail sales value of purified water companies ranked from second to fifth.

Top Five Companies in China’s Purified Drinking Water Market, by Retail Sales Value, China, 2023

| Company/Group Name | Total retail sales value RMB in billions, 2023 | Market share, % |
|--------------------------|---|-----------------|
| The Company | 39.5 | 32.7% |
| Company A | 10.8 | 8.9% |
| Company F ⁽¹⁾ | 7.4 | 6.1% |
| Company E | 4.4 | 3.7% |
| Company B | 3.2 | 2.6% |
| Top 5 subtotal | 65.2 | 54.1% |
| Total | 120.6 | 100.0% |

Source: the CIC Report

Note:

- (1) Established in 2006 in Beijing, China, Company F is a non-listed beverage company.

INDUSTRY OVERVIEW

The Chrysanthemum Tea Beverage Market in China

The competition in China’s tea beverage industry is intense, and the leading RTD soft beverage companies continuously explore the sub-segments of tea beverage to find new growth opportunities. Chrysanthemum tea beverage, a kind of herbal-based tea beverage, is loved by consumers due to its healthy elements and refreshing taste.

According to the CIC Report, China’s chrysanthemum tea beverage market has experienced a favorable growth, growing from RMB1.0 billion in 2018 to RMB2.0 billion in 2023 with a CAGR of 14.1%, and is expected to further reach RMB3.9 billion by 2028, representing a CAGR of 14.8% from 2023 to 2028, which is significantly faster than that of the overall tea beverage market.

The Company ranked first in the China’s chrysanthemum tea beverage market in terms of retail sales value in 2023.

Top Five Companies in China’s Chrysanthemum Tea Beverage Market, by Retail Sales Value, China, 2023

| Company/Group Name | Total retail sales value, RMB in millions, 2023 | Market share, % |
|--------------------------|--|-----------------|
| The Company | 756.4 | 38.5% |
| Company G ⁽¹⁾ | 184.3 | 9.4% |
| Company H ⁽²⁾ | 157.8 | 8.0% |
| Company I ⁽³⁾ | 114.1 | 5.8% |
| Company J ⁽⁴⁾ | 47.3 | 2.4% |
| Top 5 subtotal | 1,260.0 | 64.1% |
| Total | 1,967.1 | 100.0% |

Source: the CIC Report

Notes:

- (1) Established in 1993 in Guangdong Province, China, Company G is a non-listed RTD soft beverage company.
- (2) Established in 1940 in Hong Kong, China, Company H is a listed food and RTD soft beverage company.
- (3) Established in 1992 in Fujian Province, China, Company I is a non-listed food and RTD soft beverage company.
- (4) Established in 1997 in Guangdong Province, China, Company J is a listed company focusing on multiple industries, including RTD soft beverage, medicine, medical equipment and among others.

INDUSTRY OVERVIEW

ENTRY BARRIERS

New entrants to the RTD soft beverage market in China are confronted with a number of barriers, including those relating to:

- **Product Quality and Food Safety.** Product quality and food safety are key concerns of consumers. Quality and reliable water source management are necessary for enterprises to ensure the consistency and excellence of their product quality in compliance with relevant standards. This requires substantial investments, expertise and experience. Establishing trust in consumers with respect to product quality is also crucial. New market entrants or small-scale players may lack the relevant resources to achieve the foregoing.
- **Brand Image and Recognition.** Brand image and recognition affect consumers' purchasing decisions. Maintaining an appealing, trustworthy and professional brand image is key to capture the attention of consumers, especially that of the younger generation. Advertising, marketing campaigns (such as sports marketing), public relations and social media are major tools for enhancing brand recognition, and require substantial investments, especially in the case of competing against well-established brands. Brand image and recognition requires efforts over a long period and thus it is increasingly difficult for new market entrants to build brand recognition in the short term.
- **Robust Sales and Distribution Network.** The ability to manage a large sales and distribution network in China is important, given that China's RTD soft beverage market is vast and highly stratified. Certain leading players have also established in-house sales teams with strong marketing capabilities. New market entrants may not be able to acquire such ability or possess such an experienced sales force in a short period of time.
- **Strong Production Capabilities and Supply Chain Management.** Leading players are generally deeply involved in their upstream operations, including adopting advanced production technologies, and maintaining an end-to-end delivery system from production to warehousing and logistics. These involvements can help them reduce costs and improve efficiency, thereby enhancing their profitability. New market entrants may find it difficult to satisfy the relevant regulatory prerequisites, and proceed to production and build up their warehousing and logistics capabilities within a short period of time.
- **R&D Capabilities, Ingredient and Production Formulas.** Innovation allows RTD soft beverage enterprises to differentiate and remain competitive, which requires substantial investments in R&D activities, to develop new brands, flavors, packaging, sizes and technologies in response to evolving consumer needs. Moreover, ingredient and production formulas can greatly impact the taste of products and consumer experience and recognition, and typically require years of development and refinement to excel. New market entrants may not possess the necessary R&D capabilities and experience with ingredient and production formulas.

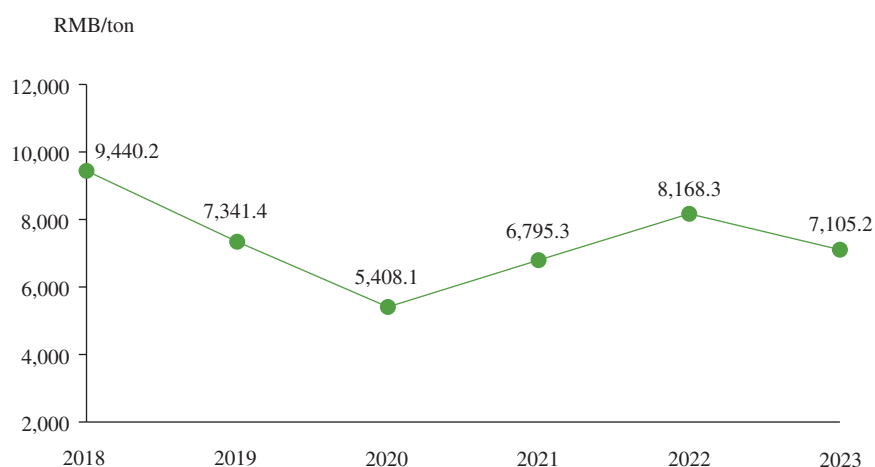
INDUSTRY OVERVIEW

- **Digitalized Operational Capabilities.** Industry-leading players can typically leverage their strong data analytics and in-depth consumer insights to optimize operation processes and drive business decisions. Digitalization is also applied across various business operational processes such as procurement, production and logistics to enhance operational efficiency. New market entrants may not have sufficient funds and data to build digitalized operations within a short period of time.
- **Capital Investment.** Investments in production equipment, sales channel development, product R&D and brand marketing involve significant capital investments. New market entrants with limited capital resources are at a disadvantage in competing against established players.

RAW MATERIALS

Bottle-grade PET is one of the major raw materials of packaged drinking water products. The following chart sets forth the average price of bottle-grade PET in China for the periods indicated:

Average Price of Bottle-grade PET (2018-2023)



Source: the CIC Report

The price of bottle-grade PET is highly correlated with the price of crude oil. The price of bottle-grade PET decreased from RMB9,440.2 per ton in 2018 to RMB5,408.1 per ton in 2020, in line with the falling crude oil price and lower downstream demand affected by the COVID-19. The price rebounded in 2021 when the downstream demand recovered driven by decreased effects of the COVID-19. In 2022, the price of bottle-grade PET further increased to RMB8,168.3 per ton due to the rising price of crude oil as a result of geopolitical issues. The price of bottle-grade PET decreased in 2023, in line with the decrease of the price of crude oil.

INDUSTRY OVERVIEW

SOURCES OF THE INDUSTRY INFORMATION

We engaged CIC, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the RTD soft beverage market in China for use in this document, which was commissioned by us for a fee of RMB1,398,800. CIC prepared its report based on data released by government institutions and non-government organizations and its primary and secondary research. 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, and the International Monetary Fund, among others. The CIC Survey quoted in this Document was conducted in September 2023 by 2,000 consumers who were over 18 years old and consume packaged drinking water regularly.

Forecasts and assumptions included in the CIC Report are inherently uncertain because of events or combinations of events that cannot be reasonably foreseen, including, without limitation, the actions of governments, consumers, competitors and other third parties. Specific factors that could cause actual results to differ materially include, among other things, risks inherent in the RTD soft beverage market in China, social and economic factors, supply risks, regulatory risks and environmental concerns, labor risks, financing risks, force majeure or unforeseen events.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the CIC Report. Our Directors confirm that, after taking reasonable care, there is no material adverse change in the overall market information since the date of the CIC Report that would materially qualify, contradict or have an impact on such information.

REGULATORY OVERVIEW

FOOD RELATED LAWS AND REGULATIONS

Food Safety

On February 28, 2009, the Standing Committee of the National People's Congress (the "NPCSC") promulgated the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the "Food Safety Law"), which came into effect on June 1, 2009 and was last revised by the NPCSC on April 29, 2021. On July 20, 2009, the State Council promulgated the Implementing Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) (the "Implementing Regulations of the Food Safety Law"), which was last revised by the State Council on October 11, 2019 and came into effect on December 1, 2019. According to the Food Safety Law and the Implementing Regulations of the Food Safety Law, food producers and operators shall, in accordance with laws, regulations and food safety standards, engage in production and operation activities, establish a sound food safety management system, and take effective measures to prevent and control food safety risks, thus ensuring food safety.

According to the Food Safety Law, supervision duties related to food safety shall be undertaken by the State Council and its relevant departments. The State Council shall establish a food safety committee. The food safety supervision and administration departments under the State Council shall exercise supervision and administration over food production and operation activities. The health administrative department under the State Council shall organize the implementation of risk monitoring and risk assessment of food safety and shall formulate and issue national food safety standards in concert with the food safety supervision and administration departments under the State Council. The standardization administrative department under the State Council shall provide the reference codes for these national standards. Food safety standards are mandatory standards. No mandatory food standards other than food safety standards shall be formulated. Other relevant departments under the State Council shall carry out relevant food safety work.

Furthermore, the State has established a food safety traceability system. According to the relevant laws and regulations above, food producers and operators shall establish a whole-process food safety traceability system, and truthfully record and keep information on procurement inspection, pre-delivery examination, food sales, etc. in accordance with the requirements, so as to ensure the traceability of food products. The food safety supervision and administration departments under the State Council shall establish a coordination mechanism for whole-process food safety traceability in collaboration with the agriculture administrative department and other related departments under the State Council.

REGULATORY OVERVIEW

Food Production and Operation Licensing

On January 2, 2020, the State Administration for Market Regulation (the “SAMR”) promulgated the Administrative Measures of Food Production Licensing (《食品生產許可管理辦法》) (the “**Administrative Measures of Food Production Licensing**”), which came into effect on March 1, 2020. According to the provisions of the Administrative Measures of Food Production Licensing, the food production license is subject to the principle of one license for one entity, which means a food producer shall obtain a food production license to engage in food production activities. The market supervision authorities shall implement classified licensing for food production. The SAMR shall be responsible for formulating general rules and detailed rules on reviewing food production licensing and shall adjust food categories according to the needs of supervision and management.

On June 15, 2023, the SAMR promulgated the Measures for the Administration of Food Operation Licensing and Registration (《食品經營許可和備案管理辦法》), which came into effect on December 1, 2023. According to the Measures for the Administration of Food Operation Licensing and Registration, the SAMR shall be responsible for guiding the national administration of food operation licensing and registration. In addition to certain statutory circumstances, anyone plans to engage in food sales and provide catering services within the territory of the PRC shall obtain a food trade permit in accordance with the law. Whoever sells prepackaged food only shall report to the local market regulatory department of the county or above where it is located for recordation. Food operators engaging in food operation activities at different operation sites shall obtain food operation licenses or make registration for record separately in accordance with the law. An application for a food trade permit shall be filed based on the main business form of the food trader and the category of the business item.

According to the Food Safety Law, the Implementing Regulations of the Food Safety Law, the Administrative Measures of Food Production Licensing and the Measures for the Administration of Food Operation Licensing and Registration, the State implements a licensing system for the food production and operation and food additives. Enterprises engaging in food production, sales and catering services shall obtain a license in accordance with the law. The food production and operation license is valid for five years. Where the production or operation conditions of a food producer or operator change and no longer satisfy the requirements for food production or operation, the food producer or operator shall immediately take corrective measures and shall re-apply for the license in accordance with the law if necessary. For packaging materials with direct contact with food and other food-related products with higher risks, the production licensing shall be implemented in accordance with the relevant administrative provisions of the State on production licenses for industrial products. Food producers and operators engaging in food production and operation activities without obtaining a food production and operation license or those engaging in the production activities of food additives without obtaining a food additive production license, may be subject to confiscation of illegal gains, illegally produced and operated food and food additive products and tools, facilities and raw materials used for illegal production and operation. In addition, they may be subject to fines, orders of suspension of production and/or operation, detention and even criminal penalties.

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On December 26, 2017, the China Food and Drug Administration (currently known as the SAMR) published an announcement on the Detailed Rules on Reviewing Beverage Production Licensing (2017 Version) (《飲料生產許可審查細則(2017年版)》), which came into effect on the date of publication. These detailed rules apply to the review of beverage production licensing. For enterprises who have packaging sites, procedures, and equipment but have no reasonable equipment layout and process flow, no production license shall be granted.

Pursuant to the Detailed Rules on Reviewing Beverage Production Licensing (2017 Version), the beverage products subject to food production licensing management refer to the quantitatively packaged products which can be directly drunk or washed with water and whose ethanol content does not exceed 0.5% by mass. Beverage products refer to the products covered by the General Rules for Beverages (《飲料通則》) (GB/T 10789), including packaged drinking water, carbonated beverage (soda), tea (type) beverage, fruit and vegetable juice and drinks, protein beverage, solid beverage and other beverage. The packaged drinking water subject to food production licensing management refer to water which is sealed with packaging materials and containers that comply with food safety standards and relevant regulations and can be drunk directly. Packaged drinking water (production license category number: 0601) includes natural drinking mineral water, purified drinking water, natural drinking spring water, natural drinking water and other drinking water.

Food Recall System

In accordance with the Food Safety Law, the State has launched a food recall system. Upon discovery of food produced not conforming to food safety standards or if there is any evidence proving that the foods produced may harm human health, food producers must immediately cease production, recall foods in the market, notify the relevant food producers, operators and consumers thereof, and keep records of the recall and notification status.

On March 11, 2015, the China Food and Drug Administration (currently known as the SAMR) formulated the Measures for the Administration of Food Recalls (《食品召回管理辦法》), which were last revised on October 23, 2020. According to the Measures for the Administration of Food Recalls, the SAMR is responsible for guiding the supervision and management of the national suspension of production and operation, recall and disposal of unsafe foods. Food producers and operators shall, according to law, assume primary responsibilities for food safety, by establishing a sound management system, collecting and analyzing food safety information and performing legal duties of the cease of production and operation as well as recall and disposal of unsafe foods. Where food producers and operators find that their produced and operated food products are unsafe, they must immediately cease the production and operation, inform the relevant food producers and operators to stop production and operation, urge the customers to stop consumption by way of notices or announcements and take necessary measures to prevent food safety risks.

Food producers and operators who violate the provisions on the suspension of production and operation, recall and disposal of unsafe food products may be subject to warnings, fines and other punishments from the market supervision and management department.

REGULATORY OVERVIEW

Food Labelling Management

According to the Food Safety Law, prepackaged food shall be labeled. The labels shall include the following items: (1) name, specification, net weight, and production date; (2) content or ingredient table; (3) name, address, and contact information of the producer; (4) best before date; (5) the standards code of the product; (6) storage conditions; (7) generic names of food additives used under the national standards; (8) the production license number; and (9) other items that are required by laws, regulations and food safety standards. Food operators shall sell food products in accordance with warning marks, warning specifications or cautions stated on labels thereof.

In order to better implement the relevant provisions of the Food Safety Law, on April 20, 2011, the Ministry of Health of the PRC (currently known as the National Health Commission of the PRC) issued the National Food Safety Standard General Rules for the Labeling of Prepackaged Food (《食品安全國家標準預包裝食品標籤通則》) (GB 7718-2011), which came into effect on April 20, 2012. On December 24, 2014, National Health and Family Planning Commission of the PRC (currently known as the National Health Commission of the PRC) issued the National Food Safety Standard for Packaged Drinking Water (《食品安全國家標準包裝飲用水》) (GB 19298-2014), which came into effect on May 24, 2015, and the labelling requirements on packaged drinking water thereunder were officially implemented on 1 January, 2016.

LAWS AND REGULATIONS RELATED TO WATER ABSTRACTION

Natural Water Abstraction Management

On January 21, 1988, the NPCSC formulated the Water Law of the PRC (the “**Water Law**”), which was last amended by the NPCSC on July 2, 2016. According to the Water Law, the State enforces a water abstraction permit system as well as compensated use system in respect of water resources. However, these two systems are not applicable to the use of water by rural collective economic organizations and their members in the ponds and reservoirs owned by such rural collective economic organizations. The water administrative department under the State Council is responsible for organizing the national implementation of the water abstraction permit system as well as compensated use of water system.

On April 9, 2008, the Ministry of Water Resources of the PRC promulgated and implemented the Measures for the Administration of Water Abstraction Permits (《取水許可管理辦法》), which was last amended on December 22, 2017. On February 21, 2006, the State Council issued the Regulations on Water Abstraction Permits and Water Resources Fee Collection (《取水許可和水資源費徵收管理條例》), which was last revised and implemented on March 1, 2017. According to the Measures for the Administration of Water Abstraction Permits and the Regulations on Water Abstraction Permits and Water Resources Fee Collection, water abstraction refers to abstracting water directly from rivers, lakes or underground by means of water extraction systems or facilities. Any entities and individuals that draw water resources, except for the circumstances that they are not required to apply for water abstraction

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permits according to regulations, shall apply for water abstraction permits and pay water resources fees. A water abstraction entity or individual shall abstract water according to the approved annual water abstraction plan. For the water extraction exceeding the plan or quota, water resource fees shall be charged progressively on the excessive part. Where the same applicant applies for the use of multiple sources of water, the examination and approval authority for water abstraction shall, after unified examination and approval, distinguish different sources of water and issue separate permits for water abstraction. A water abstraction permit is generally valid for 5 years, with the maximum valid term not exceeding 10 years. If, at expiry of the valid term, the permit needs to be renewed, the water abstraction entity or individual shall file an application to the original approval authority 45 days prior to the expiry of the valid term. The original approval authority shall, prior to the expiry of the valid term, make a decision on whether or not to approve the renewal.

Mineral Water Mining Management

On January 19, 1998, the Legislative Affairs Office of the State Council issued the Reply on Issues Concerning Applicable Laws for Administration of the Exploration and Mining of Mineral Water and Underground Hot Water (《關於勘查、開採礦泉水、地下熱水行政管理適用法律有關問題的覆函》), indicating that both mineral water and underground hot water have the dual attributes of mineral resource and water resource. The exploration, development, utilisation, protection and management of mineral water and underground hot water are subject to the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法》), the Implementation Rules of the Mineral Resources Law of the PRC (《中華人民共和國礦產資源法實施細則》), and the Administrative Provisions on the Collection of Mineral Resources Compensation (《礦產資源補償費徵收管理規定》).

Pursuant to the Mineral Resources Law of the PRC last amended by the NPCSC on August 27, 2009, the Implementation Rules of the Mineral Resources Law of the PRC promulgated by the State Council on March 26, 1994 and taking effect on the same day, and the Administrative Provisions on the Collection of Mineral Resources Compensation last amended by the State Council on July 3, 1997, the State adopts a licensing system for the exploration and mining of mineral resources. To explore and exploit mineral resources, it is necessary to apply for registration separately according to law, get exploration and mining licenses, and obtain exploration right and mining right upon approval. For those engaged in the exploration and mining of mineral resources, prescribed qualifications must be met. The mining of mineral resources is subject to resource tax and resource compensation in accordance with the relevant provisions of the State.

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ONLINE RETAIL BUSINESSES

On August 31, 2018, the NPCSC issued the E-commerce Law of the PRC (《中華人民共和國電子商務法》) (the “**E-commerce Law**”), which came into effect on January 1, 2019. According to the E-commerce Law, “e-commerce” refers to business activities carried out through information networks such as the Internet to sell commodities or offer services. E-commerce operators shall go through the registration of market entities in accordance with the law, except where individuals sell self-produced agricultural and sideline products and household handicraft products; individuals make use of their own skills to engage in labor service activities for the convenience of the people and sporadic small-sum trading activities which do not require a license in accordance with the law; and no such registration is required by laws and administrative regulations. When engaging in operation activities, e-commerce operators shall obtain relevant administrative licenses in accordance with the law, failing which such e-commerce operators may be subject to order of rectification within a prescribed period of time, imposition of fines and order of suspension of operations by the market regulation department.

IMPORT AND EXPORT OF GOODS

On May 12, 1994, the NPCSC issued the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was last amended by the NPCSC on December 30, 2022 and came into effect on the same day. In accordance with the Foreign Trade Law of the PRC, the department in charge of foreign trade under the State Council shall be responsible for all foreign trade work throughout country, and work with other relevant departments under the State Council to formulate, adjust and issue a catalogue of goods and technologies that are restricted or prohibited from import and export. In addition, the department in charge of foreign trade under the State Council or, together with other relevant departments under the State Council, may, with the approval of the State Council, make temporary decisions to restrict or prohibit the import and export of specific goods and technologies not included in the aforesaid catalogue to the extent permitted by laws. At the same time, with reference to the notice on the Unified Platform of the Business System of the Ministry of Commerce of the People’s Republic of China, according to the Decision on Amending the Foreign Trade Law of the PRC (《關於修改〈中華人民共和國對外貿易法〉的決定》) made by the NPCSC on December 30, 2022, foreign trade operators engaged in the import and export of goods or technologies were not required to go through the filing and registration procedures from December 30, 2022.

Pursuant to the Administrative Provisions of PRC Customs on the Recordation of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) which was promulgated by the General Administration of Customs of the PRC on November 19, 2021 and took effect on January 1, 2022, customs declaration entities refer to consignees or consignors of imports and exports and customs declaration enterprises which have filed record with the Customs pursuant to these Provisions. Consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification. The recordation of the customs declaration entities is valid for a long period of time. According to the Administrative Measures for the Safety of Imported and Exported Food of the PRC (《中

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華人民共和國進出口食品安全管理辦法》) which was promulgated by the General Administration of Customs of the PRC on April 12, 2021 and took effect on January 1, 2022, export food production enterprises shall make an application for filing to the local customs, and ensure that the packaging and transportation methods for exported food meet the food safety requirements.

PRODUCT QUALITY AND PRODUCT LIABILITY

On February 22, 1993, the NPCSC promulgated the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), which came into effect on September 1, 1993. It was last amended by the NPCSC on December 29, 2018 and took effect on the same day. According to the Product Quality Law, producers shall be liable for the quality of the products they produce, and sellers shall also take measures to guarantee the quality of the products they sell. The market regulation department of the State Council is in charge of the supervision over product quality nationwide. The relevant departments under the State Council shall be responsible for supervision over product quality within the scope of their respective functions and responsibilities. If there are different provisions concerning the supervision departments over product quality, such provisions shall be applied. The State applies a system of supervision and inspection in respect of product quality with random inspection as the main method. Where the quality of products for which supervision and random inspection have been carried out is not up to standard, the market regulation department that carried out the supervision and random inspection shall order the producer or seller to make rectification within a time limit. Where the rectification is not made within the time limit, the market regulation department of the people’s government at provincial level or above shall issue a public announcement; where products are re-examined after the announcement and are still not up to standard, the department shall order the production to be suspended and the operations to be reorganised; where the quality of products that has been re-examined after the expiry of the period for reorganisation is still not up to standard, the business license shall be revoked. If an individual or enterprise has quality issues in products they produce or sell, they may be subject to order of suspension of production or sales, confiscation of products produced and sold illegally, imposition of fines, confiscation of illegal gains, revocation of business licenses or even investigation for criminal liabilities by relevant authorities.

On May 28, 2020, the National People’s Congress promulgated the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”), which became effective on January 1, 2021. According to the Civil Code, a producer shall bear tort liability if its product causes damage to others due to a defect. If a defect is found in a product after it has been put into circulation, the producer and the seller shall take remedial measures in a timely manner including, inter alia, withdrawal from sale, alerts and recalls. In the event of expanded damage arising from a failure to take remedial measures in a timely manner or inadequate remedial measures, the producer and the seller shall also bear tort liability.

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PROTECTION OF CONSUMER RIGHTS AND INTERESTS

On October 31, 1993, the NPCSC promulgated the Consumer Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the “**Consumer Rights and Interests Protection Law**”), which came into effect on January 1, 1994. It was last amended by the NPCSC on October 25, 2013 and the latest amended version came into effect on March 15, 2014. On March 15, 2024, the State Council promulgated the Regulation on the Implementation of the Consumer Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法實施條例》), which would be officially implemented on July 1, 2024.

According to the Consumer Rights and Interests Protection Law, the consumers, when purchasing and utilising commodities or receiving services, enjoy the inviolable right of personal and property safety. The consumers have the right to demand the operators to provide commodities or services in compliance with the requirements of ensuring personal and property safety. Business operators shall adhere to the principle of voluntariness, equality, fairness, honesty and credibility when having dealings with consumers. Consumers who suffer personal or property damages as a result of purchasing or utilising goods or receiving services are entitled to compensation in accordance with the law.

ADVERTISEMENT

On October 27, 1994, the NPCSC promulgated the Advertising Law of the PRC (《中華人民共和國廣告法》) (the “**Advertising Law**”), which was lastly amended on April 29, 2021. According to the Advertising Law, advertisements shall not have any false or misleading content or defraud or mislead consumers. An advertiser shall be responsible for the veracity of contents of advertisement. Where a false advertisement is published, the market regulatory department shall order cessation of publishing the advertisement, order the advertiser to eliminate adverse effects within the corresponding extent, and impose a fine. Where a false advertisement has caused any damage to the lawful rights and interests of consumers who purchase goods or receive services, the advertiser shall assume civil liability in accordance with the law.

ANTI-UNFAIR COMPETITION

On September 2, 1993, the NPCSC promulgated the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the “**Anti-Unfair Law**”), which was lastly amended on April 23, 2019. According to the Anti-Unfair Law, businesses shall, in their production and distribution activities, adhere to the free will, equality, fairness, and good faith principles, and abide by laws and business ethics. A business shall not conduct any false or misleading commercial publicity in respect of the performance, functions, quality, sales, user reviews, and honors received of its commodities, in order to defraud or mislead consumers.

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INTELLECTUAL PROPERTY PROTECTION

Trademarks

On August 23, 1982, the NPCSC promulgated the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”), which came into effect on March 1, 1983. It was last amended by the NPCSC on April 23, 2019 and the latest version became effective from November 1, 2019. On August 3, 2002, the State Council promulgated the Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) (the “**Implementation Regulations of the Trademark Law**”), which came into effect on September 15, 2002. It was last amended by the State Council on April 29, 2014 and the latest version became effective from May 1, 2014. Registered trademarks are protected by relevant laws and regulations such as the Civil Code, the Trademark Law and the Implementation Regulations of the Trademark Law.

According to the Trademark Law and the Implementation Regulations of the Trademark Law, the Trademark Office of National Intellectual Property Administration is responsible for the registration and administration of trademarks throughout the country. Registered trademarks are trademarks approved and registered by the Trademark Office of National Intellectual Property Administration, including commodity trademarks, service trademarks, collective trademarks, and certification marks. Goods that are required to use registered trademarks according to the laws and administrative regulations must receive approval at its trademark registration, as such goods are prohibited from being sold unless registration has been approved by the Trademark Office. Registered trademarks are valid for ten years commencing from the date of registration, unless otherwise revoked by the Trademark Office. When it is necessary to continue using the registered trademark upon expiration of period of validity, a trademark registrant shall make an application for renewal in accordance with the requirements. The period of validity for each renewal of registration shall be ten years commencing from the next day of the expiration of the previous period of validity. If the formalities for renewal have not been handled upon expiration of period of validity, the registered trademarks will be deregistered.

Patents

On March 12, 1984, the NPCSC promulgated the Patent Law of the PRC (《中華人民共和國專利法》) (the “**Patent Law**”), which came into effect on April 1, 1985. It was last amended by the NPCSC on October 17, 2020 and the latest version became effective from June 1, 2021. On August 2, 2002, the State Council promulgated the Implementation Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) (the “**Implementation Rules of the Patent Law**”), which came into effect on September 15, 2002. It was last amended by the State Council on December 11, 2023 and took effect on January 20, 2024. Patents are protected by relevant laws and regulations such as the Civil Code, the Patent Law and the Implementation Rules of the Patent Law.

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According to the Patent Law and the Implementation Rules of the Patent Law, the patent administrative department under the State Council is responsible for the administration of patent-related work nationwide. It accepts and examines patent applications in a uniform way and grants patent rights in accordance with the law. Patents for inventions, utility models and designs can be applied for in accordance with the law. Invention patents are valid for twenty years, utility model patents for ten years and design patents for fifteen years, from the date of application, except where no annual fee for the patent has been paid as required, or the patent owner has given up its patent by a written declaration.

Copyrights

On September 7, 1990, the NPCSC promulgated the Copyright Law of the PRC (《中華人民共和國著作權法》) (the “**Copyright Law**”), which came into effect on June 1, 1991. It was last amended by the NPCSC on November 11, 2020 and the latest version became effective on June 1, 2021. On May 30, 1991, the State Council promulgated the Implementation Regulations of the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) (the “**Implementation Regulations of the Copyright Law**”), which came into effect on June 1, 1991. It was last amended by the State Council on January 30, 2013 and took effect from March 1, 2013. Copyrights are protected by relevant laws and regulations such as the Civil Code, the Copyright Law and the Implementation Regulations of the Copyright Law. The national copyright authority is responsible for copyright administration throughout the country.

Domain Names

Domain names are protected by the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 and became effective on November 1, 2017. According to the Administrative Measures for Internet Domain Names, the domain name services follow the principle of “first apply, first register”, and the applicants become domain name holders upon successful registration.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) (the “**Foreign Exchange Regulation**”), which was lastly amended and became effective on August 5, 2008. According to the Foreign Exchange Regulation, the foreign exchange administration department under the State Council supervises and administers the national foreign exchange market in accordance with the law, and stipulates the currency and form of foreign exchange market transactions. Except as otherwise provided by laws and regulations, the circulation of foreign currency is prohibited within the territory of the People’s Republic of China, and settlement in foreign currency is prohibited. Foreign exchange items can be classified into current account items and capital account items. Foreign exchange income for current account items (such as the payment of dividends and interest) can be retained or sold to financial institutions engaged in foreign exchange settlement and sale in accordance with regulations. Foreign exchange expenditures

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for current account items shall be paid in accordance with the administrative regulations of the foreign exchange regulatory department under the State Council on foreign exchange payment and purchase, upon presentation of valid documents, out of an entity's own foreign exchange funds or those purchased from financial institutions engaged in foreign exchange settlement and sale. Foreign exchange and foreign exchange settlement funds for capital account items (such as direct equity investment) shall be used in accordance with the purposes approved by the relevant competent departments and foreign exchange regulatory authorities, and the foreign exchange regulatory authorities have the right to supervise and inspect the use of foreign exchange and foreign exchange settlement funds for capital account items and the variation of individual accounts.

The SAFE promulgated the Notice on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) on March 30, 2015, which came into effect on June 1, 2015. According to the Notice on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises, the discretionary foreign exchange capital settlement of foreign-invested enterprises refers to the foreign exchange funds in the capital account of foreign-invested enterprises that has been confirmed by the SAFE for monetary capital contribution rights and interests (or registered by the bank for monetary capital contribution) according to the actual business needs of enterprises. Foreign exchange capital funds of foreign-invested enterprises shall be settled based on discretion, and the proportion shall be tentatively set at 100%. While implementing the discretionary settlement of foreign exchange capital, foreign-invested enterprises can still choose to use their foreign exchange capital in accordance with the foreign exchange payment and settlement system.

On June 9, 2016, the SAFE issued the Notice on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》). The notice stipulates that the RMB funds obtained from the discretionary settlement of foreign exchange income of domestic institutions are included in the accounts for pending foreign exchange settlements, and the foreign exchange income from capital account items of domestic institutions and the RMB funds obtained from foreign exchange settlement shall be used within the business scope under the authenticity and self-use principles.

On October 23, 2019, the SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》). The notice cancelled restrictions on domestic equity investments made with capital funds by non-investing foreign-invested enterprises, and allowed non-investment foreign-invested enterprises to make domestic equity investments with capital funds in accordance with the law provided that they do not violate the current special administrative measures for foreign investment access (negative list) and that the domestic investment projects are true and compliant. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis.

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According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支援涉外業務發展的通知》) issued by the SAFE on April 10, 2020, the reform of facilitating receipts and payments under capital accounts shall be popularized nationwide. Eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall under the principle of prudential business development, manage and control the relevant business risks, and conduct spot checking in accordance with the relevant requirements.

ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) was promulgated on December 26, 1989 and last amended on April, 24, 2014, and came into effect on January 1, 2015. Pursuant to The Environmental Protection Law of the PRC, the pollution prevention and control facilities in construction projects shall be designed, built and commissioned along with the principal part of the project at the same time. The pollution prevention and control facilities shall meet the requirements specified in the approved documents regarding the environmental impact assessment and shall not be dismantled or left idle without authorization.

The Law of the People's Republic of China on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) was first promulgated on October 28, 2002, which had been amended twice by the NPCSC and was last revised and came into effect on December 29, 2018. The law provides that classification-based management shall be applied to environment impact assessment of construction projects according to their degree of impact on the environment. The catalogs for the classification-based management of the environment impact assessment of the construction projects shall be determined and published by the administrative department of the State Council in charge of environmental protection. The construction entity concerned shall prepare the Environmental Impact Report or Environmental Impact Statement or fill out the Environmental Impact Registration Form. The Environmental Impact Report or Environmental Impact Statement of a construction project shall be submitted by the construction entity to the administrative department of ecology and environment with the approval authority for approval in accordance with the provisions of the State Council. The State shall implement a record-filing-based management on Environmental Impact Registration Forms. If the environmental impact evaluation document of the construction project fails to be examined by the examination and approval department in accordance with the law or is not approved after examination, the construction unit may not start construction.

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The Law of the People’s Republic of China on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) was last revised by the NPCSC on June 27, 2017 and implemented on January 1, 2018. The law stipulates that the discharge of water pollutants shall not exceed the prescribed water pollutant discharge standards and the total discharge control targets of key water pollutants. Enterprises, institutions and other production and operation units directly or indirectly discharging industrial waste water and medical sewage to waters and enterprises, institutions and other production and operation units required to obtain pollutant discharge license before discharging waste water and sewage must obtain the pollutant discharge license. The pollutant discharge license specifies requirements on the types, concentration, total amount and discharging direction of the water pollutants to be discharged. The specific measures for pollutant discharge licensing shall be prescribed by the State Council. In addition, according to the Administrative Measures for the Licensing of Discharge of Urban Sewage into the Drainage Network promulgated by the Ministry of Housing and Urban-Rural Development of the People’s Republic of China on January 22, 2015, last revised on December 1, 2022 and effective on February 1, 2023, enterprises, institutions and individual industrial and commercial enterprises engaged in manufacturing, construction, catering and medical activities must apply for a license for the discharge of sewage into the drainage network before discharging sewage into urban facilities.

On September 5, 1987, the NPCSC promulgated the Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) (the “**Prevention and Control of Atmospheric Pollution**”) and was implemented on June 1, 1988. The law was last revised and became effective on October 26, 2018. According to the law, the State implements total emission control over the discharge of key atmospheric pollutants. Any person or enterprise who violates the provisions of the Prevention and Control of Atmospheric Pollution will face the risk of being ordered to make corrections, fined, ordered to stop production and rectified, or even investigated for criminal liability by the relevant authorities. In addition, those who discharge atmospheric pollutants and cause damage shall also bear tort liability according to law.

The NDRC and the Ministry of Ecology and Environment issued the Opinions on Further Strengthening the Control of Plastic Pollution on January 16, 2020, which came into effect on the same day. According to the opinions, the main goal of strengthening the control of plastic pollution is that, by 2020, some districts and sectors will pioneer the banning and restriction of production, sale and use of some plastic products. By 2022, in sectors where plastic pollution problems are prominent and emerging sectors such as e-commerce, express delivery, and takeaway, a number of replicable and generalizable plastic reduction and green logistics models will be formed. By 2025, plastic pollution should be effectively controlled.

REGULATORY OVERVIEW

On April 1, 2024, Ministry of Ecology and Environment promulgated the Measures for Pollutant Discharge Permitting Administration (《排污許可管理辦法》), which will come into effect on July 1, 2024. According to the Measures for Pollutant Discharge Permitting Administration, enterprises, public institutions and other producers and business operators shall, in accordance with factors such as the amount of pollutants produced, the amount of pollutants discharged and the extent of their impact on the environment, carry out the management of pollutant discharge permits with a focus, simplified management and pollutant discharge registration. The specific scope of pollutant discharging entities under priority pollutant discharge permitting administration or those under summary pollutant discharge permitting administration shall be governed by the classification administration list of pollutant discharge permitting for fixed pollution sources. The pollutant discharging entity that, in accordance with the law, shall apply for a pollutant discharge permit in accordance with the law and discharge pollutants in accordance with the relevant provisions. Those who has not obtained a discharge permit shall not discharge pollutants. The pollutant discharge registration entity that needs to fill out a pollutant discharge registration form shall register its pollutant discharge on the National Pollutant Discharge Permit Management Information Platform.

In addition to the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on Environmental Impact Assessment, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Prevention and Control of Atmospheric Pollution, the Measures for Pollutant Discharge Permitting Administration and the Opinions on Further Strengthening the Control of Plastic Pollution, relevant laws and regulations we follow in environmental protection also include the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (2020 Revision), the Regulations on the Management of Environmental Protection of Construction Projects (2017 Revision), the Catalogue of Classified Management of Environmental Impact Assessment of Construction Projects and the Regulations on the Administration of Pollution Discharge Permits.

PRODUCTION SAFETY

On June 29, 2002, the NPCSC formulated and issued the Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Production Safety Law**"), which was last revised on June 10, 2021 and became effective on September 1, 2021. In accordance with the provisions of the Production Safety Law, the State implements a system of accountability for production safety accidents. Production and operation units must implement national or industry standards formulated in accordance with the law to ensure safe production, and provide safe production conditions that meet the requirements of laws, administrative rules and national or industry standards. Production and business units shall set up conspicuous safety warning signs in production and business sites and relevant facilities and equipment with relatively high potential hazard. The design, manufacture, installation, use, testing, maintenance, transformation and scrapping of safety equipment shall comply with national or industry standards.

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LABOUR LAWS AND REGULATIONS

Labour Law and Labour Contract Law

The Labour Law of the PRC (《中華人民共和國勞動法》) was promulgated by the NPCSC on 5 July 1994 and was last amended on December 29, 2018 and became effective on the same date. According to the law, the State adopts a standard work week where an employee shall not work for more than eight hours a day and no more than 44 hours a week on average. The employers may follow other rules on work and rest with the approval by labor administrative departments. The State implements a system of guaranteed minimum wages, and the wages paid by employers to workers shall not be lower than the local minimum wage standard. Employers must establish and improve the system for occupational safety and health, strictly implement the national protocols and procedures on occupational safety and health required by the State and provide education on occupational safety and health to employees, and guard against labour safety accidents and reduce occupational hazards.

The Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) was first promulgated on June 29, 2007 by the NPCSC and was last amended on December 28, 2012 and enforced on July 1, 2013. It requires that employers shall establish and improve labour rules and regulations in accordance with the law to ensure that employees enjoy labour rights and perform labour obligations. When an employer establishes a labour relationship with an employee, a written labour contract shall be entered into. An employer must make payment for employee remuneration timely and in full amount in accordance with the provisions of relevant labour contract and State regulations. Besides, an employer must strictly abide by the fixed standard of labour work, and must not force or threaten an employee in disguise to work overtime. If the employer arranges overtime duties, it shall pay overtime wage to the employee in accordance with the relevant provisions of the State.

Laws and Regulations on Social Insurance and Housing Provident Fund

The Social Insurance Law of PRC (《中華人民共和國社會保險法》) was promulgated by the NPCSC on October 28, 2010 and was last amended and took effect on December 29, 2018. The law stipulates that the State shall establish social insurance systems such as basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance, with work-related injury insurance premiums and maternity insurance to be paid by the employer, and basic endowment insurance funds, basic medical insurance premiums and unemployment insurance premiums jointly paid by the employer and individuals. If employers fail to pay social insurance premiums on time or in full amount, the collection agency of social insurance premiums shall order it to pay or make up the deficit of premiums within a prescribed time limit, and impose a daily late fee at the rate of 0.05% of the outstanding amount from the due date; and if it still fails to pay the premiums within the prescribed time limit, the relevant administrative department shall impose a fine of 1-3 times the outstanding amount upon it.

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Pursuant to the Regulations on Management of Housing Provident Fund (2019 Revision) (《住房公積金管理條例》), the employer shall go through the housing provident fund contribution registration with the housing provident fund management center, and apply for the establishment of housing provident fund account for employees. Each employee can only have one housing provident fund account. The contribution ratio of employee and employer’s housing provident fund shall not be less than 5% of the employee’s monthly average salary in the previous year. Cities with favorable conditions can appropriately increase the contribution ratio. If the employer does not register the contribution of the housing provident fund or does not establish housing provident fund account for its employees, the housing provident fund management center shall order it to be handled within a time limit. The employer that fails to make up the procedures within the time limit, it shall be given a fine of RMB10,000 to RMB50,000. If the employer fails to contribute to the housing provident fund within the time limit, the housing provident fund management center shall order it to make contribution within the time limit. The employer that fails to contribute to the housing provident fund within the time limit, it may apply to the people’s court for enforcement.

Laws and Regulations Related to Foreign Investment

All enterprises in the PRC are required to comply with the Company Law of the PRC (《中華人民共和國公司法》) (the “**Company Law**”) promulgated by the NPCSC in 1993 and amended in 2018. The Company Law, which regulates the formation, structure and management of companies, also applies to foreign-invested companies. Where there are otherwise different provisions in any law regarding foreign investment, such provisions shall prevail. The Company Law was recently amended in December 2023, and the revised Company Law will come into effect on July 1, 2024.

On March 15, 2019, the National People’s Congress promulgated the Law of the PRC on Foreign Investment (《中華人民共和國外商投資法》) (the “**Foreign Investment Law**”), which became effective on January 1, 2020. On December 27, 2021, the NDRC and the MOFCOM promulgated the Special Administrative Measures for Foreign Investment Access (Negative List) (Edition 2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”), which became effective on 1 January 2022.

Pursuant to the Law on Foreign Investment and the Negative List, the PRC implements a system of pre-entry national treatment plus negative list management for foreign investment. The Negative List specifies the areas in which investment is restricted, and foreign investors must meet the conditions set out in the Negative List to invest in those areas; areas outside the Negative List are managed in accordance with the principle of consistency between domestic and foreign investment.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which officially came into effect on January 1, 2020. Pursuant to the Measures for the Reporting of

REGULATORY OVERVIEW

Foreign Investment Information, foreign investors or foreign-funded enterprises shall report investment information to commerce departments through the enterprise registration system and the National Enterprise Credit Information Publicity System.

Pursuant to the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on December 19, 2020, which came into effect on January 18, 2021, the Office of the Working Mechanism for Security Review of Foreign Investment was set up under the NDRC. Under the leadership of the NDRC and the MOFCOM, the office is responsible for the routine work of the security review of foreign investment.

Pursuant to the Provisions on the Takeover of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by six regulatory authorities including the CSRC on August 8, 2006, came into effect on September 8, 2006, and were last amended on June 22, 2009, foreign investors are required to obtain the appropriate approvals for the following takeovers: (i) a foreign investor purchases the equity of a domestic non-foreign-funded enterprise or subscribes to the increased capital of a domestic company, and thus changes the domestic company into a foreign-funded enterprise; or (ii) a foreign investor establishes a foreign-funded enterprise, and through which it purchases by agreement the assets of a domestic enterprise and operates its assets; or (iii) a foreign investor purchases by agreement the assets of a domestic enterprise, and then invest such assets to establish a foreign-funded enterprise and operate the assets. The parties to a takeover shall determine the transaction price on the basis of the assessment result of the equities to be transferred or of the assets to be sold, which is given by an asset assessment institution. It is prohibited to divert any capital abroad in any disguised form by transferring any equities or selling assets at a price which is obviously lower than the assessment result. In addition, the takeover of a domestic enterprise by a foreign investor, which may cause the modification of any equity formed by investments to state-owned assets or transfer of the property right of state-owned assets, shall satisfy the relevant provisions on the management of state-owned assets. This provision also applies to the takeover of domestic enterprises by investment companies established by foreign investors in China in accordance with the law.

TAXES

Enterprise Income Tax

The Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) was first promulgated by the National People's Congress on March 16, 2007 and last amended by the NPCSC on December 29, 2018 and became effective on the same date. The Implementing Regulation of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (the "EIT Rules") was first promulgated by the State Council on December 6, 2007, last revised on April 23, 2019 and took effect on the same date. Pursuant to the above law and the implementing regulation, enterprises are divided into resident enterprises and non-resident enterprises. Enterprise income tax shall be payable by a resident enterprise for income derived from or accruing in or outside the PRC.

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Enterprise income tax shall be payable by a non-resident enterprise, for income derived from or accruing in the PRC by its office or premises established in the PRC, and for income derived from or accruing outside the PRC with which the established office or premises has a de facto relationship. "Income" as referred herein includes income from the sale of goods, the provision of services, the transfer of property, dividends and other equity investments, interest, rental, royalties, donations and other income. The enterprise income tax rate is 25%, but if a non-resident enterprise has no establishment or place in China, or has an establishment or place but its income has no actual connection with the establishment or place, the applicable tax rate is 20%.

The Notice on Issues Concerning the Recognition of Overseas Registered Chinese-funded Holding Enterprises as Resident Enterprises Based on the Standards of Actual Management Agency was promulgated by the STA on April 22, 2009 and partially revised on December 29, 2017. If an overseas Chinese-funded enterprise meets the following conditions at the same time, it shall be determined to be a resident enterprise in China with actual management agency to which corresponding tax arrangement shall apply, and enterprise income tax shall be levied on its income derived from within and outside China: (i) the place where the senior management personnel responsible for the implementation of daily production, operation, management and operation of the enterprise and their senior management departments perform their duties is mainly located in China; (ii) the financial decisions (such as borrowing, lending, financing, financial risk management, etc.) and personnel decisions (such as appointment, dismissal and remuneration, etc.) of the enterprise are decided by the institutions or personnel located in China, or need to be approved by the institutions or personnel located in China; (iii) the main properties, accounting books, company seals, minutes and files of the board of directors and shareholders' meetings, etc. are located or kept in China; (iv) more than 1/2 (including 1/2) of the directors or senior managers of the enterprise with voting rights often reside in China.

Value-Added Tax

The Interim Value-Added Tax Regulations of the People's Republic of China (《中華人民共和國增值稅暫行條例》) was promulgated on December 13, 1993 by the State Council and has undergone three revisions with the latest version issued and implemented on November 19, 2017. According to the regulation, units and individuals that sell goods or provide processing, repair and repair services and import goods within the territory of China are taxpayers of value-added tax and shall pay value-added tax.

According to the Interim Value-Added Tax Regulations of the People's Republic of China, the Circular of the Ministry of Finance and the STA on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (《財政部、稅務總局關於調整增值稅稅率的通知》) issued by the Ministry of Finance and the STA on April 4, 2018, and took effect on May 1, 2018 and the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated by the

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Ministry of Finance, the STA and the General Administration of Customs on March 20, 2019 and took effect on April 1, 2019, the value-added tax rates applicable to ordinary taxpayers are 13%, 9% and 6%, and applicable to small-scale taxpayers are 3%.

Dividends and Taxes

The main laws, rules and regulations governing the distribution of dividends by foreign-invested enterprises in China are the Foreign Investment Law and their implementing regulations, and the Company Law. Under these requirements, foreign-invested enterprises may only pay dividends from their accumulated profits (if any) determined in accordance with PRC accounting standards and regulations. A company in China is required to allocate at least 10% of their respective accumulated after-tax profits (if any) as a capital reserve fund every year until the cumulative amount of such reserve fund reaches 50% of the registered capital of the enterprise. A company in China is not allowed to distribute any profits until any losses in previous fiscal years have been covered. Both retained profits from the prior fiscal year and distributable profits for the current fiscal year may be distributed.

Pursuant to the EIT Law and EIT rules stipulate that, the corporate income tax rate of 10% has been generally applicable to dividends declared to non-resident enterprise shareholders who do not have an establishment or place in the PRC, or who have an establishment or place but whose relevant income is not actually connected with the establishment or place (if such dividends come from the PRC), unless the jurisdiction of incorporation of any such non-resident enterprise shareholders has entered into a tax agreement with the PRC providing for preferential withholding arrangements.

OVERSEAS LISTING

On February 17, 2023, the CSRC promulgated the Trial Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》), which became effective on March 31, 2023. Pursuant to the Measures, the CSRC shall, in accordance with the law, supervise and regulate the overseas offering and listing activities by domestic enterprises. In the case of the direct overseas offering and listing by a domestic enterprise, the issuer shall file with the CSRC. In the case of the indirect overseas offering and listing by a domestic enterprise, the issuer shall designate a major domestic operating entity as the domestic responsible person and file with the CSRC. The recognition of the indirect overseas offering and listing by a domestic enterprise follows the principle of substance over form, and an issuer will be recognized as the indirect overseas offering and listing by a domestic enterprise if it meets the following conditions: (i) the proportion of any one of the indicators of the domestic enterprise’s operating revenues, total profits, total assets or net assets of the domestic enterprise in the latest accounting year exceeds 50% of the relevant information in the issuer’s audited consolidated financial statements for the same period; and (ii) the major aspect of the operating activities is conducted within the PRC, or the principal place of business is located in the PRC, or the majority of senior management members responsible for the operation and management of the business are citizens of the PRC, or they are ordinarily residing in the PRC.

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If a domestic enterprise fails to fulfill the filing procedures, or if there are conditions that prohibit the overseas offering and listing by such domestic enterprise, and the enterprise proceeds with overseas offering and listing, the CSRC shall order it to make corrections, issue a warning to it, and impose a fine.

According to the Trial Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises, the person in charge who is directly responsible and other persons directly responsible shall be given a warning, and a fine of not less than RMB500,000 but not more than RMB5 million shall be imposed. The circumstances where overseas offering and listing are prohibited include: (i) where listing and financing is expressly prohibited by laws, administrative regulations or relevant state regulations; (ii) where the relevant competent authorities of the State Council have determined, in accordance with the law, that the overseas offering and listing may jeopardize national security; (iii) where the domestic enterprise or its controlling shareholder or de facto controller has been involved in a criminal crime of corruption, bribery, embezzlement of property, misappropriation of property or undermining the order of the socialist market economy within the last three years; (iv) where the domestic enterprise is being investigated according to law for suspected crimes or major violations of law, and there is not yet a clear opinion on the conclusion; (v) there is a major ownership dispute over the equity held by the controlling shareholder or shareholders dominated by the controlling shareholder or de facto controller.

The Provisions on Strengthening Confidentiality and Archives Administration for Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) issued by the CSRC, the MOF, the National Administration of State Secrets Protection and the National Archives Administration on February 24, 2023, which came into effect on March 31, 2023, state that, in the course of overseas offering and listing activities by a domestic enterprise, the domestic enterprise, as well as the securities firms and securities service providers that provide corresponding services, shall establish a sound confidentiality and archive work system, take necessary measures to implement the responsibility of confidentiality and archive management, and shall not disclose state secrets and working secrets of state organs. “Domestic enterprise” includes domestic joint-stock companies that conduct direct overseas offering and listing and domestic operating entities of entities that conduct indirect overseas offering and listing.

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CYBERSECURITY AND DATA PROTECTION

The laws of the PRC on cybersecurity and data security protection mainly consist of the Cybersecurity Law of the People’s Republic of China (《中華人民共和國網絡安全法》) (the “**Cybersecurity Law**”), the Personal Information Protection Law of the People’s Republic of China (《中華人民共和國個人信息保護法》) (the “**Personal Information Protection Law**”) and the Data Security Law of the People’s Republic of China (《中華人民共和國數據安全法》) (the “**Data Security Law**”), and together with the Regulations on Protecting the Security of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**Critical Information Infrastructure Protection Regulations**”), provide the basic institutional guarantees for the maintenance of cybersecurity, data security and protection of personal information rights and interests in China. In addition to the aforementioned laws, the Amendment (IX) to the Criminal Law of the People’s Republic of China (《中華人民共和國刑法修正案(九)》), which came into effect on November 1, 2015, the E-Commerce Law (《電子商務法》), which came into effect on January 1, 2019, the Civil Code, which came into effect on January 1, 2021, and other laws put forward industry regulatory requirements for cybersecurity and data protection from different perspectives; at the same time, many departmental regulations also continue to refine the rules for processing various types of data.

On November 7, 2016, the NPCSC promulgated the Cybersecurity Law, which took effect from June 1, 2017 onwards. As the first programmatic law for the field of cybersecurity and data protection, the Cybersecurity Law covers a wide range of areas. With regard to network operation security, the Cybersecurity Law requires network operators, including Internet information service providers, to take technical measures and other necessary measures in accordance with the provisions of laws and regulations and the compulsory requirements of national standards to ensure the safe and stable operation of the network, effectively respond to cybersecurity incidents, prevent illegal criminal activities committed on the network, and maintain the integrity, confidentiality and availability of network data. With regard to the protection of critical information infrastructures, the Cybersecurity Law establishes the basic principle that critical information infrastructures require additional protection and, on that basis, puts forward national security examination requirements for the procurement of network products and services by operators of critical information infrastructures that may have an impact on national security, and clarifies the principle requirement that personal information and important data collected and generated by operators of critical information infrastructures within China should be stored within the country, and that when traveling abroad due to business needs, they need to pass a data cross-border transfer security assessment. With regard to the protection of personal information, the Cybersecurity Law sets out the basic principles and provisions for the protection of personal information, such as the requirements relating to the collection, use, processing, storage and disclosure of personal information, and Internet information service providers shall take technical and other necessary measures to ensure the safety of personal information collected and to prevent the leakage, destruction or loss of personal information.

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On June 10, 2021, the NPCSC promulgated the Data Security Law, which became effective on September 1, 2021. Compared to the Cybersecurity Law, the Data Security Law focuses on regulating the security of data flows. The Data Security Law establishes a data protection system based on data types and security levels, in accordance with the importance of data for economic and social development and the potential harm that the illegal use of data may cause to national security, public interests or the interests of individuals and organizations. With regard to data types, the Data Security Law specifies the types of important data and the obligations of their processors, and important data processors shall specify the person in charge of data security and set up a management organization in charge of data security, and relevant data processors shall carry out regular risk assessments of their data processing activities and submit the assessment reports to the relevant regulatory authorities. With regard to data flows, the Data Security Law includes the cross-border transfer of important data by data processors other than operators of critical information infrastructures in the special regulatory procedures for the cross-border transfer of data, and restricts the unauthorized provision of data stored in China to judicial or law enforcement agencies outside the country. Data related to the safeguarding of national security, interests and the fulfillment of international obligations are subject to China's export controls. The Data Security Law further emphasizes and stipulates that the state will establish a data security review system to conduct national security reviews of data processing activities that affect or may affect national security. The Data Security Law stipulates that violations of the Data Security Law may result in relevant entities or individuals being subject to warnings, fines, suspension of business for rectification, revocation of permits or business licenses, and/or even being pursued for criminal liability.

On August 20, 2021, the NPCSC promulgated the Personal Information Protection Law, which came into effect on November 1, 2021. The Personal Information Protection Law aims to protect the rights and interests of personal information, regulate the processing of personal information, safeguard the orderly and free flow of personal information in accordance with the law, and promote the rational use of personal information. The Personal Information Protection Law establishes a comprehensive system of rules for the processing of personal information, including that the processing of personal information shall have a clear and reasonable purpose, that the processing of sensitive information is subject to additional protection, that the provision of personal information to outsiders and the entrusted processing of personal information requires the signing of a special agreement to ensure security, that the preservation, deletion, disclosure and automated decision-making of personal information should comply with special rules, and that processors of personal information should have appropriate organizational, institutional and technical measures in place. The Personal Information Protection Law provides four compliance approaches for the cross-border transfer of personal information, namely, passing the data cross-border transfer security assessment organized by the Cyberspace Administration of China (the "CAC"), signing and filing a Standard Contract for the Cross-border Transfer of Personal Information (《个人信息出境标准合同》) with the provincial cyberspace administration, applying for Personal Information Protection Certification (《个人信息保护认证》), and complying with international treaties or agreements concluded by China or to which it is a party. Processing of personal information in violation of the provisions of the Personal Information Protection Law or failure to comply

REGULATORY OVERVIEW

with the relevant personal information protection obligations will result in the relevant entity being subject to warnings, fines, suspension of business for rectification, revocation of business permits and business licenses, and/or even being pursued for criminal liability.

With regard to data processing activities closely related to national security, public interests and personal rights and interests as mentioned in the three programmatic laws, provisions such as the Critical Information Infrastructure Protection Regulations, the Measures for Cybersecurity Review, the Measures for Cross-border Data Transfer Security Assessment (《數據出境安全評估辦法》), and the Measures for the Standard Contract for the Cross-border Transfer of Personal Information have been introduced in succession to strengthen data regulation in terms of the identity of data processors, data types and special data processing activities.

On July 30, 2021, the State Council promulgated the Critical Information Infrastructure Protection Regulations, which came into effect on September 1, 2021. Pursuant to the Critical Information Infrastructure Protection Regulations, critical information infrastructure means any of network facilities and information systems in important industries and fields, such as public communication and information services, energy, transportation, water conservancy, finance, public services, e-government, and science, technology and industry for national defense, that may seriously endanger national security, national economy and people's livelihood, and public interests in the event that they are damaged or their data are leaked. The Critical Information Infrastructure Protection Regulations stipulates that the aforementioned competent authorities and supervision and administration authorities of important industries and fields are the authorities responsible for critical information infrastructure security protection. Such agencies shall be responsible for organizing the determination of critical information infrastructure in the industry and field concerned according to the determination rules, and inform the operators of the determination results in a timely manner and notify the public security department under the State Council of the same. An operator shall assume strict operator responsibilities after being recognized as a critical information infrastructure operator.

On December 28, 2021, a number of departments, including the Ministry of State Security, jointly issued the Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on February 15, 2022. The Cybersecurity Review Measures stipulate that critical information infrastructure operators procuring network products and services and network platform operators conducting data processing activities that influence or may influence national security should be subject to rigorous cybersecurity review by the Cybersecurity Review Office set up by the CAC. In addition, network operators holding the personal information of more than 1 million users and newly listing on foreign markets must report for cybersecurity review with the Cybersecurity Review Office. If network products and services, data-processing activities or foreign listing acts affect or may affect national security, the Network Security Review Office, after reporting to the Central Cyberspace Affairs Commission for approval, may conduct a cybersecurity review in accordance with the provisions of the Cybersecurity Review Measures. Pursuant to the Cybersecurity Review

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Measures, any violation is subject to penalties under the Cybersecurity Law and the Data Security Law, including government enforcement actions and investigations, fines, penalties, and suspension of non-compliant operations.

On 22 March 2024, the CAC promulgated the Provisions on Facilitating and Regulating Cross-Border Data Flows (《促進和規範數據跨境流動規定》), which came into effect on the date of publication. The Provisions on Facilitating and Regulating Cross-Border Data Flows update the Measures for Cross-border Data Transfer Security Assessment and the Measures for the Standard Contract for the Cross-border Transfer of Personal Information previously implemented by the CAC, clarifying the criteria for declaring the important data cross-border transfer security assessment, and proposing that a data processor does not need to declare the security assessment of cross-border data transfer if the data processor has not been notified by the relevant department or region or has been publicly released as important data.

The Provisions on Facilitating and Regulating Cross-Border Data Flows stipulate the conditions for data cross-border transfer that are exempted from declaring the security assessment of cross-border data transfer, signing and filing a Standard Contract for the Cross-border Transfer of Personal Information, and applying for Personal Information Protection Certification: (i) cross-border transfers of data that is collected and generated in activities such as international trade, cross-border transportation, academic cooperation, transnational production, manufacturing, and marketing, if not including personal information or important data; (ii) personal information collected and generated outside the territory of China, which is then transmitted to domestic locations for processing before being transferred cross-border and does not involve the introduction of domestic personal information or important data during the processing; (iii) it is necessary to transfer personal information cross-border for the purpose of executing or fulfilling a contract where the individual is a party; (iv) it is necessary to transfer the personal information of employees cross-border for the purpose of cross-border human resources management, to comply with employment policies formulated in accordance with the law, and collective contracts concluded in accordance with the law; (v) it is necessary to transfer the personal information cross-border in emergency situations, such as protection of the life, health and property safety of an individual; (vi) data processors other than critical information infrastructure operators have transferred personal information of fewer than 100,000 people (excluding sensitive personal information) cross-border cumulatively since January 1 of the current year.

The Provisions on Facilitating and Regulating Cross-Border Data Flows establishes a negative list system for pilot free trade zones. It proposes that pilot free trade zones may, within the framework of the national data categorization and classification protection system, have the autonomy to independently formulate their own list of data that needs to be included in the regulation scope of security assessment of cross-border data transfer, Standard Contract for the Cross-border Transfer of Personal Information and Personal Information Protection Certification. The aforementioned negative list shall be submitted to the cyberspace affairs commission at the provincial level for approval and subsequently filed with the national cyberspace administration authority and national data administration authority. Data processors within the pilot free trade zones may transfer data cross-border that falls outside the negative

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list without the need to apply for declaring the security assessment of cross-border data transfer, signing and filing a Standard Contract for the Cross-border Transfer of Personal Information, and applying for Personal Information Protection Certification.

The Provisions on Facilitating and Regulating Cross-Border Data Flows specify the conditions for two types of data cross-border transfer activities that should be declared the security assessment of cross-border data transfer: (i) critical information infrastructure operators providing personal information or important data cross-border; (ii) data processors other than critical information infrastructure operators providing important data cross-border, or provide more than 1 million people's personal information (excluding sensitive personal information) or more than 10,000 people's sensitive personal information cross-border cumulatively since 1 January of the current year. Meanwhile, the Provisions on Facilitating and Regulating Cross-Border Data Flows specifies the conditions for data cross-border transfer activities that should subject to the conclusion of a Standard Contract for the Cross-border Transfer of Personal Information or apply for Personal Information Protection Certification, i.e., data processors other than critical information infrastructure operators have cumulatively provided personal information (excluding sensitive personal information) of more than 100,000 people and less than 1 million people cross-border and at the same time provided sensitive personal information of less than 10,000 people outside the country since 1 January of that year.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Overview

Our history can be traced back to 1980s when China Longhuan Co., Ltd. (中國龍環有限公司) (“**Shekou Longhuan**”), the predecessor of C’estbon China, was established by Guiyang Cili Product Development Company (貴陽刺梨產品開發公司), China Merchants Shekou Industrial Zone Water Supply Company (招商局蛇口工業區供水公司) (“**Shekou Water Supply**”) and Huanya Co., Ltd. (環亞股份有限公司). Mr. Yin Ying (尹英) served as the chairman of the first session of the board of directors of Shekou Longhuan. In 1992, the trademark “C’estbon (怡寶)” was transferred by China Merchants Development Company Limited (香港招商局發展有限公司) to Shekou Longhuan. In 1996, our Company entered into a cooperation agreement with Shekou Water Supply on the operations of C’estbon China, pursuant to which our Company and Shekou Water Supply held 67.25% and 32.75% of the equity interest in C’estbon China respectively, and Shekou Longhuan’s business was subsequently succeeded by C’estbon China. In 1999, our Company acquired the remaining 32.75% equity interest of C’estbon China from Shekou Water Supply and C’estbon China became a wholly owned subsidiary of our Company, and Mr. Huang Tieying (黃鐵鷹) was appointed by CR Holdings, our then sole shareholder, to serve as the chairman of C’estbon China. Since then, C’estbon China has grown rapidly and launched various categories of packaged drinking water and beverage products.

Our Company was incorporated in the BVI with limited liability on July 4, 1995 and has been serving as the holding company for all the operating subsidiaries of our Group. On April 16, 2024, our Company was re-domiciled from the BVI to the Cayman Islands.

We have been developing and offering a variety of quality packaged drinking water products and beverage products under our diverse brand portfolio. According to the CIC Report, we have grown into the second largest company in the packaged drinking water market and the largest company in the purified drinking water market in China.

Milestones of Development

The following table sets out the key milestones of our business development:

| Year | Event |
|----------------|--|
| 1980s | Our predecessor Shekou Longhuan was established. |
| 1998 | We were invited as one of the principal initiators and drafters of the national standard for “bottled purified drinking water”. |
| 2001 | We upgraded our packaging for C’estbon (怡寶) brand purified water products. |
| 2007 | We adopted our comprehensive national expansion strategy “westward expansion, eastward extension, northern conquest (西進、東擴、北伐)” to establish a deeply penetrating sales and distribution network which spans the entire country. |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

| Year | Event |
|----------------|--|
| | We initiated the “Hundred Libraries Plan (百所圖書館計劃)”, a long-term, sustainable rural revitalization type of voluntary service project which involves donating libraries to primary and secondary schools in regions lacking educational resources. |
| 2009 | We strategically launched the 4.5L packaged drinking water. |
| 2011 | We launched our beverage products including Gogo-no-Kocha milk tea (午後奶茶), FIRE (火咖) and Mulene (魔力) products. |
| 2018 | We launched our flavored water brand Mi Shui Series (蜜水系列). |
| 2019 | We became the first partner of TEAM CHINA, and sponsored the 7th World Military Games, reinforcing our brand image of “healthy, safe and professional”. Our products became the “National Athletes’ Choice”. We launched our juice beverage brand Holiday Series (假日系列). |
| 2021 | We launched our Chinese herbal tea beverage brand Zhi Ben Qing Run (至本清潤). We supported daily consumption of drinking water for over 70 national teams and the Chinese Delegation for the Tokyo Olympics, and became the official supplier of packaged drinking water for the 14th National Games. |
| 2022 | We optimized our product portfolio and launched new products such as our high-end natural mineral water brand L’eau (怡寶露), our sparkling water brand FEEL, and juice beverage brand Sekai-no-Kitchen (源自世界的廚房). We continued to expand and refine our production capacities, including commencing construction of our self-owned factories Yixing Factory and Wuyi Mountain Factory, and entering into the construction agreement for our Wanlv Lake Factory. |
| 2023 | We continued to expand our product portfolio, and launched new products such as Orange Holiday (橙橙假日), Zhi Ben Qing Run lemon tea (至本清潤檸檬茶), Bonjour Forêt (本優) bottled natural mineral water and 520ml C’estbon natural drinking water. Our self-owned factories, including Yixing Factory, Biyouxuan Factory and Nanning Factory (Phase II), were put into operation, and our production capacities continued to enhance steadily. |
| 2024 | We became the title sponsor of the Chinese Football Association Super League. |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Incorporation of our Company

Our Company was incorporated as a BVI business company with limited liability in the BVI on July 4, 1995 with an authorized share capital of US\$50,000 divided into 50,000 shares with a par value of US\$1.00 each. Upon incorporation, our Company issued and allotted one Share to Rui Jun Investments Limited, a wholly owned subsidiary of CRE Limited, with a consideration of US\$1.00.

On October 13, 1995, the one issued Share was transferred from Rui Jun Investments Limited to CRE Beverage Limited (currently known as China Resources Snow Breweries Limited) with a consideration of US\$1.00, which was subsequently transferred to CRH Beverage on May 31, 2007 with a consideration of US\$1.00. On January 18, 2011, our Company further issued and allotted 599 Shares to CRH Beverage at a consideration of US\$599.

Share Allotment to KIRIN

On August 19, 2011, our Company issued and allotted 400 Shares to KIRIN for a consideration of US\$474.7 million, which was determined based on arm’s length negotiations between KIRIN and us, taking into account the timing of the investments, the historic and anticipated future performance of the Company and KIRIN’s non-alcoholic business in Greater China, as well as the potential business cooperation and strategic alliance between the Company and KIRIN. As a result, our Company was owned by CRH Beverage and KIRIN as to 60% and 40%, respectively.

KIRIN is a Japan-based company listed on Tokyo Stock Exchange, and is primarily engaged in beer and beverage business and holding minority investments in a number of equity-accounted investees globally in a variety of industries such as food, beverages, health science and pharmaceuticals. In addition to the minority investment in our Company, KIRIN also has business cooperation with the Group since 2011. Specifically, (i) C’estbon Holdings was granted the right by KIRIN to manufacture, promote and distribute in the mainland China, Hong Kong and Macau certain beverage products with KIRIN’s intellectual properties, as well as to sub-license such intellectual properties to its subsidiaries and Cooperative Manufacturing Partners for manufacturing and distribution on behalf of our Group in the PRC. Accordingly, we launched a series of new products supported by our cooperation with KIRIN brand, such as Gogo-no-Kocha milk tea (午後奶茶), FIRE (火咖) and Sekai-no-Kitchen (源自世界的廚房) with a term of cooperation until 2025, subject to renewal upon mutual consents between our Company and KIRIN; and (ii) C’estbon Holdings was granted the sole and exclusive right to import, market, promote, sell, distribute and sub-distribute in Hong Kong and Macau certain beverage products manufactured by KIRIN. The revenue generated by our Group from sales of products in relation to KIRIN as detailed above accounted for 2.0%, 1.5% and 1.4% for the three years ended December 31, 2023, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Share Transfer to Plateau by KIRIN

On August 5, 2022, Plateau acquired all the 400 shares from KIRIN with a consideration of US\$1,000 million (the “**2022 Share Transfer**”) which was determined after arm’s length negotiations with reference to various factors including the timing of the investments, the prospects of our business and the valuation of comparable companies. CRH Beverage and Plateau, among others, entered into a shareholders agreement (the “**Shareholders Agreement**”) on April 8, 2022. See “– Pre-[REDACTED] Investment.” Upon completion of the 2022 Share Transfer, our Company remained to be owned by CRH Beverage as to 60%, and held by Plateau as to 40%.

Re-domiciliation

On April 16, 2024, our Company was re-domiciled from the BVI to the Cayman Islands.

Share Subdivision

On April 21, 2024, our Shareholders resolved, among others, that each issued and unissued ordinary share then of US\$1.00 par value be subdivided into 2,000,000 Shares of US\$0.0000005 par value each (“**Share Subdivision**”), upon completion of which CRH Beverage and Plateau respectively held 1,200,000,000 and 800,000,000 Shares of US\$0.0000005 par value each.

As a result of the Share Subdivision, the authorized share capital of our Company became US\$50,000 divided into 100,000,000,000 ordinary shares of par value of US\$0.0000005 par value each, of which 2,000,000,000 ordinary shares are issued and fully paid-up.

OUR PRINCIPAL SUBSIDIARIES

We have five principal subsidiaries which made material contribution to our results of operations during the Track Record Period. The table below sets forth details of our principal subsidiaries as of the Latest Practicable Date:

| No. | Name of the Principal Subsidiaries | Place of Incorporation | Date of Incorporation | Registered/ Issued Capital | Attributable Interest to Our Group | Principal Businesses |
|-----|------------------------------------|------------------------|-----------------------|----------------------------|------------------------------------|---|
| 1. | C'estbon Holdings | Hong Kong | November 23, 2009 | HK\$771,483,694.42 | 100% | Sales of packaged drinking water and beverage products in Hong Kong and Macau, investment holding |
| 2. | C'estbon China Investment | PRC | August 26, 2011 | US\$83,290,359.29 | 100% | Investment holding |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

| No. | Name of the Principal Subsidiaries | Place of Incorporation | Date of Incorporation | Registered/ Issued Capital | Attributable Interest to Our Group | Principal Businesses |
|-----|------------------------------------|------------------------|-----------------------|----------------------------|------------------------------------|--|
| 3. | C'estbon China | PRC | August 1, 1996 | RMB650,000,000 | 100% | Production and sales of packaged drinking water and beverage products in China |
| 4. | C'estbon Changsha | PRC | October 17, 2012 | US\$20,000,000 | 100% | Production of packaged drinking water and beverage products in China |
| 5. | C'estbon Chengdu | PRC | September 1, 2014 | RMB166,670,000 | 100% | Production of packaged drinking water and beverage products in China |

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We had no major acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

PRE-[REDACTED] INVESTMENT

Overview

On February 16, 2022, Plateau (the “**Pre-[REDACTED] Investor**”) entered into a share purchase agreement with KIRIN, pursuant to which Plateau agreed to purchase all the 400 ordinary shares held by KIRIN at a consideration of US\$1,000 million. Details of Plateau’s investment (the “**Pre-[REDACTED] Investment**”) are set out below:

| | |
|--|--|
| Name of the Pre-[REDACTED] Investor | Plateau |
| Amount of consideration paid . . | US\$1,000 million |
| Basis of determining the consideration paid | The consideration was determined based on arm’s length negotiations between KIRIN (as the seller) and Plateau (as the purchaser) with reference to various factors including the timing of the investments, the prospects of our business and the valuation of comparable companies. |
| Date of the investment agreement | February 16, 2022 |

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

| | |
|--|--|
| Date of settlement of consideration | August 5, 2022 |
| Cost per Share ⁽¹⁾ | US\$1.25 |
| Discount to the [REDACTED] ⁽²⁾ | [REDACTED]% |
| Strategic benefits from the Pre-[REDACTED] Investment | We are of the view that our Company can benefit from the Pre-[REDACTED] Investment as Plateau can provide us with professional advice on our Group’s development strategies from non-managerial perspective, and that the Pre-[REDACTED] Investment demonstrates Plateau’s confidence in our Group’s operations and serve as an endorsement of our Group’s performance, strengths and prospects. |

Notes:

- (1) Calculated based on dividing the consideration by the number of Shares held by Plateau after the Share Subdivision. On April 21, 2024, our Shareholders resolved, among others, that each issued and unissued ordinary share then of US\$1.00 par value be subdivided into 2,000,000 Shares of US\$0.0000005 par value each. See “— Major Shareholding Changes of Our Company — Share Subdivision”.
- (2) Calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] of HK\$[REDACTED] to HK\$[REDACTED]).

Lock-up

Plateau [has undertaken] to the Hong Kong Stock Exchange to comply with the requirements pursuant to Rule 10.07(1) of the Listing Rules.

Rights of Plateau

Pursuant to the Shareholders Agreement, Plateau has certain special rights which are customarily granted to a pre-[REDACTED] investor, including but not limited to, director appointment right, right of first refusal and tag-along right to dispose of the Shares, information right and divestment right. The Shareholders Agreement, including the above special rights of Plateau, shall be terminated upon [REDACTED]. On April 21, 2024, all the parties to the Shareholders Agreement entered into a supplemental agreement thereto, according to which Plateau’s divestment right shall be automatically terminated immediately prior to the Company’s first submission of the [REDACTED] for the [REDACTED], provided that the divestment right so terminated shall resume automatically at the earlier of (i) the Company’s [REDACTED] is rejected or returned by the applicable stock exchange and the Company has decided not to appeal to such rejection or return decision; (ii) the Company’s [REDACTED] is suspended, withdrawn or determined not to be consummated by unanimous consents of the Shareholders; or (iii) the Company’s [REDACTED] does not take place by November 1, 2025 for any reason.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Information about Plateau

Plateau is an institution principally engaged in investment holding. Plateau is wholly owned by Plateau Consumer Fund, L.P., whose general partner is Plateau Investment Limited. Plateau Investment Limited is wholly owned by Plateau Holding Limited, which is wholly owned by Ms. Dong Yi. In addition to the interest in the general partner of Plateau Consumer Fund, L.P., Ms. Dong Yi also, through her wholly owned companies Plateau Capital Limited and Plateau Group Limited (each being a limited partner of Plateau Consumer Fund, L.P. and does not exercise management control thereof), held a total of 2.65% limited partnership interests in Plateau Consumer Fund, L.P. Maxwish Limited (銘宇有限公司), the largest limited partner in Plateau Consumer Fund, L.P. with approximately 36.8% limited partnership interest, is an investment holding company incorporated in Hong Kong, which is indirectly wholly owned by Bank of China Limited (中國銀行股份有限公司) (a company listed on the Hong Kong Stock Exchange (stock code: 3988) and Shanghai Stock Exchange (stock code: 601988)). Save for Maxwish Limited, no other limited partners held 30% or more limited partnership interest in Plateau Consumer Fund, L.P. as of the Latest Practicable Date.

Compliance with Pre-[REDACTED] Investment Guidance

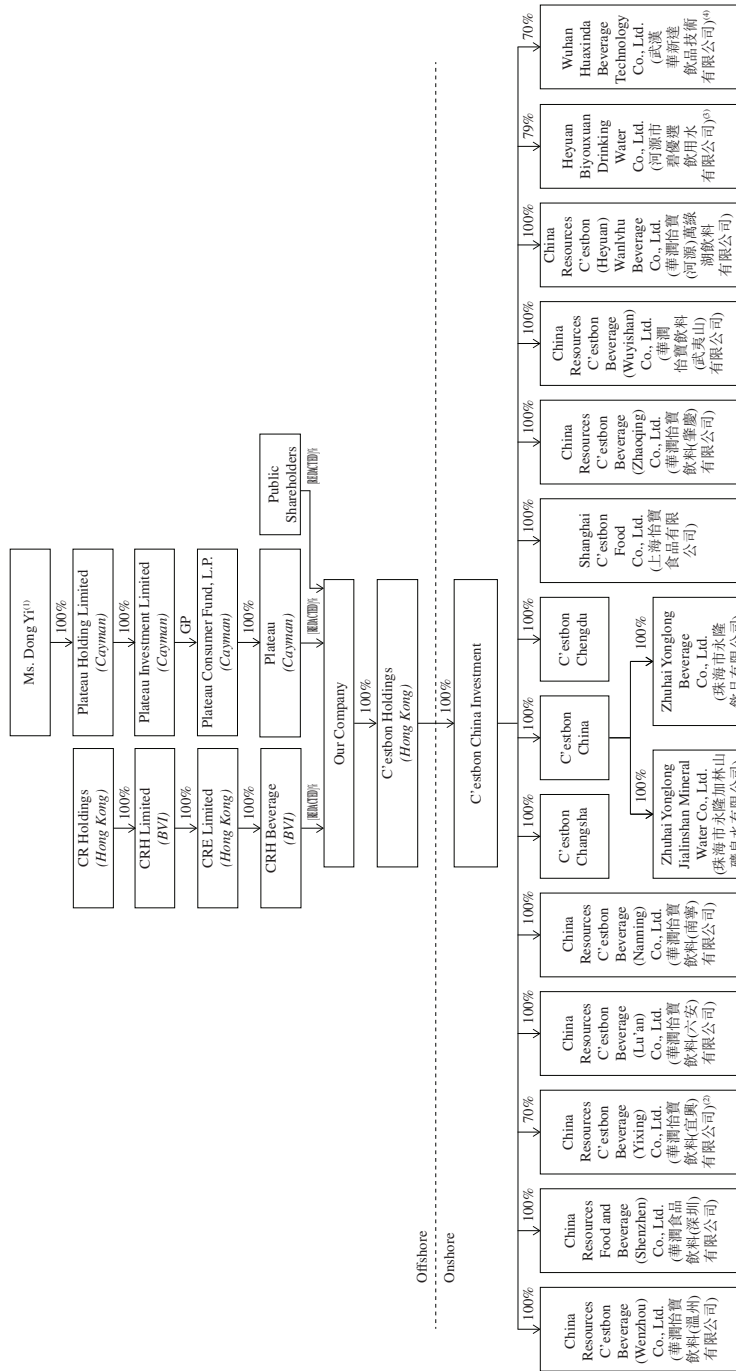
On the basis that (i) the consideration for the Pre-[REDACTED] Investment was irrevocably settled more than 28 clear days before the date of our first submission of the [REDACTED] to the Stock Exchange in relation to the [REDACTED]; (ii) the divestment right granted to the Pre-[REDACTED] Investor has been terminated immediately prior to the submission of the [REDACTED] for the [REDACTED] by or on behalf of the Company; and (iii) all other special rights granted to the Pre-[REDACTED] Investor pursuant to the terms of the Pre-[REDACTED] Investment will be terminated upon the [REDACTED], the Joint Sponsors are of the view that the Pre-[REDACTED] Investment is in compliance with Chapter 4.2 under the Guide for New Listing Applicants issued by the Stock Exchange.

Public Float

Immediately upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the 2,000,000,000 Shares held by CRH Beverage and Plateau, representing approximately [REDACTED]% of our total issued Shares upon [REDACTED], will not be considered as part of the public float for the purpose of Rule 8.08 of the Listing Rules as such Shares are held by our Controlling Shareholders. In light of the above, the public float of the Company upon the completion of the [REDACTED] (assuming the [REDACTED] is not exercised) will be [REDACTED]%.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following diagram sets forth the corporate structure of our Group immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised):



Notes:
(1)-(4) See the details contained in the preceding page.

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OVERVIEW

Our Mission

Shape the future of refreshment to bring a safe, healthy and wonderful life (“引領行業發展、為大眾提供安全、健康、美好的生活體驗”)

Our Vision

Better and stronger: to become a world-class beverage enterprise (“做優、做強、成為世界一流綜合飲料企業”)

Who We Are

We are a pioneer in China’s packaged drinking water industry and a leader in China’s RTD soft beverage industry. According to the CIC Report, we were one of the first enterprises specializing in the production of packaged drinking water in China. After four decades of development, we have grown into the second largest company in the packaged drinking water market in China and the largest company in the purified drinking water market in China by retail sales value in 2023. The retail sales value of our “C’estbon” purified drinking water products reached RMB39.5 billion in 2023, standing as the number one brand in China’s purified drinking water market, according to the CIC Report. We have taken a growth trajectory similar to that of prominent global RTD soft beverage companies to expand and grow from a core product category with market leading position to other categories, propelling us to a leading position across various core product categories within China’s RTD soft beverage industry. We centered on packaged drinking water while innovatively diversifying our beverage offerings, reinforcing our multi-category strategic roadmap of “one flagship brand accompanied by a spectrum of popular brands” and vigorously engaging in R&D and innovation to capture the expansive market opportunities. In 2023, according to the CIC Report, we ranked fifth in terms of retail sales value among China’s RTD soft beverage companies, showcasing our leading position in packaged drinking water and beverage products.

According to the CIC Report, among the top five RTD soft beverage companies in China in terms of retail sales value in 2023, we ranked in the top two, in terms of CAGR from 2021 to 2023, for both retail sales value and net profit. Anchored on our “C’estbon” brand, and rooted in the success of our purified drinking water products, we persistently enhance our product portfolio of packaged drinking water products through diversification of water types and expansion of product specifications, catering to a wide range of consumption scenarios including outdoor, indoor, business, catering and sports. For example, we strategically developed our medium- to large-sized packaged drinking water, which, during the Track Record Period, achieved a CAGR exceeding 10% in both revenue and sales volume, and its revenue share within our packaged drinking water products increased steadily year on year. Leveraging our deeply rooted brand image of “healthy, safe, professional” established in the packaged drinking water market, along with our valuable assets including our extensive nationwide sales network and production capacity layout, we strategically expanded our presence across multiple core product categories in China’s RTD soft beverage industry, which have been validated by the market and exhibit considerable growth potential. According to the CIC Report, among the top 10 RTD soft beverage companies in China in terms of retail sales value in 2023, our beverage products recorded the highest retail sales value growth rate in terms of CAGR from 2021 to 2023. We have successfully crafted multiple hit products under our renowned brands, propelling us to a leading position across various core product categories

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within China’s RTD soft beverage industry. According to the CIC Report, in terms of retail sales value in 2023, we ranked among top 10 in various core RTD beverage categories of China, including tea beverage, juice beverage and coffee beverage; notably, our market share ranked first in China’s chrysanthemum tea beverage market and second in the flavored water market.

CR Group, one of our Controlling Shareholders, is a leading state-owned conglomerate headquartered in Hong Kong which ranked 74th in the Fortune Global 500 in 2023. Its core businesses include consumer goods, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors. Under the CR Group, eight companies are listed on the Hong Kong Stock Exchange and nine companies are listed on the A-share market in Mainland China. Notably, CR Beer, CR Power, CR Land and CR Mixc are constituents of the Hang Seng Index in Hong Kong. As a dedicated RTD soft beverage enterprise within the CR Group, we play a significant role in the CR Group’s consumer goods arm. Our corporate culture aligns with that of the CR Group and its associated business units. Benefiting from synergies in various areas including our sales channels, digitalization, raw material procurement, construction management and ESG initiatives, we are able to further improve our operational efficiency, enhance our market share and amplify our brand’s influence. We actively uphold our social responsibility, consistently adhering to the quality value of “integrity cultivates quality; responsibility yields excellence.” In 2019, our “C’estbon” brand was honored as the “Official Drinking Water of TEAM CHINA” and supplied safe and healthy packaged drinking water and beverage products to over 70 Chinese national sports teams, providing professional and healthy replenishment. Embodying our brand slogan “Your and My C’estbon” and our brand spirit “safe, healthy and wonderful life,” we continue to deliver healthy and quality products to consumers, promoting “C’estbon” to become a deeply trusted and widely recognized national brand.

During the Track Record Period, we achieved strong revenue growth, continual improvement in profitability and robust cash flow. Our strong financial performance is closely tied to our widely recognized brand image, marketing strategies that highly resonate with consumption scenarios, ongoing R&D for product portfolio expansion, nationwide sales and distribution network as well as comprehensive production capacity layout that synergizes effectively with our sales network. Our revenue increased from RMB11,339.9 million in 2021 to RMB13,514.7 million in 2023, growing at a CAGR of 9.2% from 2021 to 2023. In the meantime, we continually optimize our supply chain, enhance our digital capabilities and expand our own production capacity to manage production costs. We also optimized packaging materials, upgraded our equipment to improve production efficiency and extended to the upstream of the industry value chain, such as independently completing injection molding process. Furthermore, by implementing comprehensive channel coverage, optimizing and integrating our sales channels, enhancing the efficiency of logistics and warehousing, together with optimizing transportation costs, we consistently drive improvement in our sales efficiency. Through these measures, alongside our strong revenue growth, our profitability, operational efficiency and cash flow generation capabilities also consistently improved. Our profit for the period increased from RMB858.1 million in 2021 to RMB1,331.4 million in 2023, growing at a CAGR of 24.6% from 2021 to 2023. Meanwhile, our net profit margin increased from 7.6% in 2021 to 7.8% in 2022, and further to 9.9% in 2023. Our net cash from operating activities increased from RMB827.2 million in 2021 to RMB1,718.2 million in 2023, growing at a CAGR of 44.1% from 2021 to 2023.

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Our Market Opportunities

As a pioneer in China’s packaged drinking water industry and a leader in China’s RTD soft beverage industry, we are well-positioned to reinforce our market leadership and seize emerging opportunities, leveraging our strong brand recognition, comprehensive product portfolio and expansive nationwide sales network.

According to the CIC Report, the size of China’s RTD soft beverage market by retail sales value reached RMB909.2 billion in 2023. Driven by accelerating urbanization and increasing per capita disposable income in China, the purchasing power of consumers for RTD soft beverage products will continue to increase, and the size of the RTD soft beverage market in China is expected to expand to RMB1,203.2 billion by 2028, representing a CAGR of 5.8% from 2023 to 2028. With the continuously growing trend of health awareness in respect of food and beverage consumption, certain product categories, such as packaged drinking water and sugar-free beverages, have become more popular than other types of the RTD soft beverage products.

According to the CIC Report, in terms of retail sales value, packaged drinking water is the largest category in China’s RTD soft beverage industry with a market size of RMB215.0 billion in 2023. Having grown at a CAGR of 7.1% from 2018 to 2023, packaged drinking water is also the fastest growing category in the RTD soft beverage industry in China, and is further expected to reach a market size of RMB314.3 billion by 2028 at an accelerated CAGR of 7.9% from 2023 to 2028. According to the same source, in terms of retail sales value, purified drinking water is the largest segment among the packaged drinking water market, accounting for 56.1% of the packaged drinking water market in China. Having grown at a CAGR of 7.7% from 2018 to 2023, purified drinking water is also the fastest growing segment among the packaged drinking water market in China, and is further expected to account for 57.2% of the packaged drinking water market in China in 2028 at an accelerated CAGR of 8.3% from 2023 to 2028. As a pioneer in the packaged drinking water market in China and a leader in China’s RTD soft beverage industry, we enjoy the advantages of a substantial market and growth potential, laying a solid foundation for the continuous growth and enduring success of our business.

In addition, leading RTD soft beverage enterprises have been continually enriching their product offerings and broadening their reach across various product categories to cater to evolving consumer needs in terms of flavors, sizes and consumption scenarios. Particularly, the boundary between packaged drinking water and beverage products is becoming increasingly indistinct with the emergence of flavored water, sparkling water and other types of beverage products with intricate flavors, rich texture and diverse benefits. Aside from the growing and more diverse demand for brands and products, there has been a noticeable rise in ESG awareness within Chinese society. RTD soft beverage enterprises are showing stronger commitment through a number of decarbonization measures and initiatives such as adopting sustainable packaging materials, implementing water management systems and promoting community empowerment, which align their development strategies with societal values and expectations regarding ESG.

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Our Business Model

We are committed to providing our consumers with high-quality RTD beverage products that promote a healthy and positive lifestyle. To this end, we closely track shifts in lifestyle trends and developments in consumer needs, and proactively conduct product R&D to continually enrich our offerings. Our marketing strategy, highlighted by sports marketing, has been a key component of the growth of our brands. Since 2013, we have sponsored marathon events and other sports events. We have been the partner of the Chinese national team, TEAM CHINA, since 2019, reinforcing our brand image of “healthy, safe, professional.” As of the Latest Practicable Date, we had a product portfolio of 13 brands, mainly including “C’estbon” (“怡寶”), “Zhi Ben Qing Run” (“至本清潤”), “Mi Shui Series” (“蜜水系列”), “Holiday Series” (“假日系列”) and “Zuo Wei Cha Shi” (“佐味茶事”), comprising a total of 56 SKUs. Our diverse product offering covers core product categories in China’s RTD soft beverage market, such as packaged drinking water, tea beverage and juice beverage, among others. Through years of endeavor, we have continually cultivated a strategic roadmap of “one flagship brand accompanied by a spectrum of popular brands” across multiple product categories. With our “C’estbon” leading the way as the number one brand in China’s purified drinking water market, we innovatively established a robust portfolio of other beverage brands to further strengthen our market position. The picture below shows our packaged drinking water and beverage products as of the Latest Practicable Date.



We primarily generate revenue by the sales of products through our nationwide sales and distribution network. During the Track Record Period, we cooperated with over 1,000 distributors covering over two million retail points of sale in China accumulatively. According to the CIC Report, in 2023, in terms of regional presence, our packaged drinking water products held the highest market share in the packaged drinking water market in six major Chinese provinces, namely Guangdong, Hunan, Sichuan, Hainan, Guangxi and Hubei. According to the CIC Report, the packaged drinking water market in these six provinces represented approximately 30% of the total market size of the packaged drinking water market in China during 2023, making these provinces the core market for packaged drinking water consumption. Our leading position in these core markets is a testament to our robust competitive edge, and we are committed to further extending our reach into additional markets. We also ranked among the top three in the packaged drinking water market of another 17 provinces of China in 2023, and the size of the packaged drinking water market in these 17 provinces accounted for approximately 60% of the total market size of the packaged drinking water market in China, according to the CIC Report. Aligned with our nationwide sales network, we have also strategically positioned our comprehensive production capacity layout, implemented a rigorous quality control system and established digitalized supply chain management capability spanning the entire nation.

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Our Major Honors

Our commitment to social and environmental responsibility, coupled with our innovative marketing strategies and technical advancements, have garnered widespread recognition across all sectors of society. During the Tokyo 2020 Summer Olympics and Beijing 2022 Winter Olympics, we ensured the steady supply of packaged drinking water and beverage products for China’s national teams and received letters of appreciation from the Chinese sports delegations participating in the respective Olympics. In 2021, as the official supplier of packaged drinking water for the 14th National Games, our professional supplies and services were well recognized, exemplified by a letter of appreciation from the Hong Kong Sports Delegation (香港體育代表團) for which we served as a diamond-level partner. In 2022, we were honored with the Silver Award of the 6th China Youth Volunteer Service Project Competition (“第六屆中國青年志願服務項目大賽銀獎”) awarded by the Communist Youth League of China (共青團中央) and Office of the Central Guidance Commission on Building Spiritual Civilization (中央文明辦), demonstrating our dedication and commitment towards social welfare. In 2023, our public welfare project, “Rural Revitalization Music Classroom Project” was honored with the “2023 Beautiful Public Welfare Conference — Annual Beautiful Voice” by the New Weekly, and our “Hundred Libraries Plan” has received the “Annual Public Welfare Endeavor Award” at the 2023 Dream Builders Public Welfare Congress organized by the Southern Weekly.

OUR COMPETITIVE STRENGTHS

We believe that our business success and leading market position are underpinned by the following key strengths. These strengths are closely interconnected and mutually reinforcing, enabling our sustained and cohesive core competency in a highly competitive market.

Pioneer in the packaged drinking water market in China and leader in the RTD soft beverage market in China with strong growth and increasing profitability

We are a pioneer in the packaged drinking water market in China. Beginning the journey with the introduction of our “C’estbon” brand packaged distilled water in Shenzhen, Guangdong in 1990, “C’estbon” is one of the earliest registered trademarks within the industry in China, standing as one of the most recognized and reputable brands in China’s packaged drinking water market. In addition, we are one of the first enterprises in China to specialize in the production of packaged drinking water and one of the first in China’s RTD soft beverage industry to break through an annual production of ten million tons, according to the CIC Report. Leveraging our long history and leading position in China’s RTD soft beverage industry, we actively participated in setting the standards for the packaged drinking water industry in China. In 1998, in the formulation of the national standards for “Bottled Purified Drinking Water,” we were privileged to be invited as one of the principal initiators and drafters. We also hold key positions in multiple industry associations, which underscores our leadership and influence within the industry, as well as highlights our pioneering contributions to the dynamic and robust development of China’s packaged drinking water market to date. See “— Awards and Recognitions.”

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We are a leader in the RTD soft beverage market in China. According to the CIC Report, we have ranked in the top two in terms of retail sales value of packaged drinking water for 10 consecutive years from 2014 to 2023. In 2023, our market share in the packaged drinking water market reached 18.4%. We have ranked top one in the Chinese purified drinking water market for 12 consecutive years from 2012 to 2023. In 2023, the retail sales value of our “C’estbon” purified drinking water reached RMB39.5 billion, with a market share of 32.7%, which was approximately four times larger than the company ranked second and surpassed the combined total of companies ranked second to fifth, establishing our position as the top one brand in China’s purified drinking water market. In 2023, we sold over 14.6 billion bottles of our “C’estbon” branded water products. Our “C’estbon” brand was also one of the seven brands in 2023 to achieve a retail sales value exceeding RMB30 billion in China’s RTD soft beverage market. The “C’estbon” brand, with its iconic “small green bottle” design, has become deeply ingrained in the minds of Chinese consumers. We have taken a growth trajectory similar to that of prominent global RTD soft beverage companies to expand and grow from a core product category with market leading position to other categories, propelling us to a leading position across various core product categories within China’s RTD soft beverage industry. We centered on packaged drinking water while innovatively diversifying our beverage offerings. As a result, we have successfully crafted multiple hit products under our renowned brands. According to the CIC Report, in terms of retail sales value in 2023, our market share ranked among top 10 in core RTD beverage categories, including tea beverage, juice beverage and coffee beverage; notably, we ranked first in China’s chrysanthemum tea beverage market and second in the flavored water market in terms of retail sales value in 2023.

Leveraging our high retail sales value, leading market share and strong brand recognition, we continue to enhance our product offerings and expand our category coverage to meet consumers’ evolving demands in taste, specifications and consumption scenarios, demonstrating robust growth momentum and capabilities to bolster our profitability continually. According to the CIC Report, the packaged drinking water industry in China recorded a CAGR of 4.1% from 2021 to 2023. During the same period, the growth in the retail sales value of our packaged drinking water products achieved a CAGR of 7.4%. Additionally, according to the same source, our beverage products grew at a CAGR of 38.6% during the same period, significantly outpacing the industry average of 4.0% and the growth rates of other leading companies. From 2021 to 2023, our profit increased from RMB858.1 million in 2021 to RMB1,331.4 million in 2023 at a CAGR of 24.6%. Meanwhile, our net profit margin increased from 7.6% in 2021 to 7.8% in 2022, and further to 9.9% in 2023. According to the CIC Report, among the five largest companies in the RTD soft beverage industry in China by retail sales value in 2023, we ranked in the top two, in terms of CAGR from 2021 to 2023, for both retail sales value and net profit.

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Strategic deployment of sports marketing to convey our brand image of “healthy, safe, professional” and comprehensively reach a broader consumer base through diversified marketing approaches

Since the launch of our first packaged drinking water product under the “C’estbon” brand, we have been strategically emphasizing and leveraging the strong connection between the consumption of packaged drinking water and sports activities, continually implementing our sports marketing strategy. Sports events have a wide audience base, cover a variety of communication channels and convey a positive image to the audience. In 2014, the State Council issued the Opinions on Accelerating the Development of the Sports Industry and Promoting Sports Consumption (關於加快發展體育產業促進體育消費的若干意見), promoting national fitness as a national strategy which also promoted the increasing consumer emphasis on a healthy and positive lifestyle. In response, we strategically promote our sports marketing strategy to effectively communicate our brand philosophy to a broader consumer base.

Since 2012, we have sponsored a series of highly esteemed international and domestic sports events, successfully establishing a comprehensive sports marketing echelon, effectively reaching consumers across all age groups and regions. As the core of our sports marketing strategy, we fostered a strategic partnership with TEAM CHINA. Furthermore, we honorably served as the official supplier for the 14th National Games, sponsored the Chinese Football Association Super League (the “CSL”). Aside from premier sports events, we actively engage in general public sports events such as national marathons, campus running events, the National He Mei Village Basketball Tournament (Village BA) (全國和美鄉村籃球大賽) (村BA) and the “Road of Xuanzang” Ultra Gobi (玄奘之路戈壁挑戰賽) to solidify and expand our consumer base. See “— Marketing and Branding”

Cooperation with TEAM CHINA

Since 2019, we have been a partner of TEAM CHINA. Our “C’estbon” brand has successfully become the “Official Drinking Water of TEAM CHINA” after rounds of review and screening, meeting the strict hydration requirements of professional athletes and helping them maintain the best competitive condition. We supported TEAM CHINA in a series of key sports events, such as the Tokyo 2020 Summer Olympics and the Beijing 2022 Winter Olympics, to promote our brands and products. We continue to provide professional and healthy packaged drinking water and beverage products for more than 70 Chinese national sports teams. From daily preparation and training to major world and national sports events, our products accompany every aspect of the daily life, training and competition of the TEAM CHINA athletes. Our excellent support for TEAM CHINA has been recognized by various Chinese national sports teams, evidenced by multiple letters of appreciation. Our collaboration with TEAM CHINA has significantly enriched the sporting aspect of our brand. It underscores our stringent standards to product quality, and, in the meantime, has significantly enhanced our brand’s visibility and recognition among consumers.

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Close collaboration with sports events, including marathons and collaboration with Eliud Kipchoge

In the packaged drinking water industry in China, we have taken the lead in establishing a strong presence in marathon events. According to the CIC Report, China hosted a total of 622 marathon events (including half marathons) in 2023, with approximately 38 million participation and on-site spectatorship. As of the Latest Practicable Date, we have sponsored the highest number of Grade-A marathon events among packaged drinking water companies in China. Since 2013, we have gained extensive experience and expertise in organizing and collaborating with marathon events, establishing us as the preferred partner for city marathon events. Our partnerships have also contributed to the transformation of the marathon into a widely celebrated event for the general public. In 2023, Olympic champion Mr. Eliud Kipchoge became our marathon promotion ambassador. Through our close partnerships with marathon events and Mr. Kipchoge, we established a robust connection between our brand and sporting events, thereby expanding the reach of our RTD soft beverage products to a broader consumer base with long-term relationships.

Title sponsorship with the CSL

Our “C’estbon” packaged drinking water became the official drinking water of the CSL in 2023 and established a title sponsorship with the CSL in February 2024. CSL is the highest level of professional football league in China. In 2023, the CSL hosted 240 matches, attracting a cumulative audience of approximately 380 million person-times across on-site spectatorship, television broadcasts and online streaming. CSL’s long match season and wide coverage spanning various leagues and regions within China help us enhance market recognition across cities of different tiers in China.

Our comprehensive sports marketing echelon allows us to reach a broad audience through diversified communication channels, establishing comprehensive and effective connections with consumers. With such a vigorous sports marketing strategy, we are able to continuously improve our brand awareness and recognition, reinforcing our brand image of “healthy, safe, professional,” advocating for a healthy and positive lifestyle.

Our “healthy, safe, professional” brand image deeply resonates with our consumers. Our commitment to high-quality products and spirit of innovation align seamlessly with the positive and healthy image of sports events, and their spirit of constantly challenging and surpassing oneself, enabling our diverse product offering to closely match the growing consumer demand for sports- and health-oriented consumption. We have conducted customer and consumer satisfaction assessments for 18 consecutive years, consistently recording a positive trajectory in satisfaction rates. According to the CIC Survey, our “C’estbon” brand ranked first in terms of brand satisfaction and repurchase rate, and second in terms of brand mentions among packaged drinking water brands in China. In particular, among the young consumer group aged 18 to 35, the satisfaction rate and mention rate of the “C’estbon” brand exceed the average across all age groups. Our ongoing dedication towards consumer

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satisfaction has been recognized by multiple awards, including the “Consumers’ Choice For the Decade — Leap Growth Award” (“消費者十年之選飛躍增長獎”) awarded by Kantar Worldpanel (凱度消費者指數) in 2022.

Additionally, we create new potential for our brand by attracting a broader range of consumers through our diversified marketing methods. On one hand, we promote our brand recognition among the youth by sponsoring diverse variety shows; on the other hand, we carry out extensive in-transit marketing at different scenes, such as publicity and advertisements on buses, subways, high-speed rail, airports, elevators and large outdoor billboards, to ensure our products reach consumers in cities at different tiers. See “— Marketing and Branding — Variety Show Marketing and In-transit Marketing.”

Solidified strategic roadmap of “one flagship brand accompanied by a spectrum of popular brands” and vigorous efforts in R&D and innovation to capture strong market potentials

According to the CIC Report, packaged drinking water is the largest product category in China’s RTD soft beverage market, possessing the characteristics of an essential consumer good, and meeting fundamental hydration needs of consumers. Driven by increasing urbanization, rising disposable incomes, increased consumer expenditure, ongoing product innovation, continuous market segmentation, as well as the diversification of sales channels, the packaged drinking water market is expected to continually expand. As we continue to strengthen and grow our “C’estbon” brand as the number one brand in China’s purified drinking water market and to capture the ongoing growth opportunities within China’s packaged drinking water market, we consistently enrich our packaged drinking water product portfolio through diversification of water types and expansion of product specifications, among others. As one of the drafting members of the industry standard and national standard for bottled purified drinking water and based on our in-depth understanding of the development trends of packaged drinking water across different consumption scenarios, we continually introduce packaged drinking water products with different specifications, covering consumption scenarios including outdoor, at-home, business, catering and sports. We believe that “quality water does not differentiate water types” (“好水不分水種”) and have accordingly expanded into products such as natural mineral water, natural drinking water and sparkling water to strategically secure high-quality water sources. During the Track Record Period, we introduced “L’eau” premium natural mineral water, “Bonjour Forêt” natural mineral water, FEEL sparkling water and 520ml C’estbon natural drinking water, completing the layout across the three main water types: purified drinking water, natural mineral water and natural drinking water.

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Enhancing the scale of our packaged drinking water products and pursuing a diversified strategy are pivotal drivers of our business development. An example of a successful product development strategy within our packaged drinking water business is the launch of medium- to large-sized packaged drinking water products. Through precise insights into consumer habits and demands, we strategically launched the 4.5L packaged drinking water in 2009, and subsequently enriched our SKU variety by introducing several other medium- to large-sized packaged drinking water products. Since 2020, we have been actively promoting our medium- to large-sized packaged drinking water products in residential communities nationwide. In partnership with our distributors, we have implemented various promotion strategies and offered multiple delivery options. We have also actively collaborated with the catering channel to promote our medium- to large-sized packaged drinking water for culinary uses such as soup bases. During the Track Record Period, our medium- to large-sized packaged drinking water achieved a CAGR exceeding 10% in both revenue and sales volume, and its revenue share within our packaged drinking water products increased steadily year on year.

We experienced a notable increase in the revenue of our beverage products during the Track Record Period, successfully establishing a second curve for growing our business. Utilizing our strong brand recognition, comprehensive sales and distribution network as well as production capacity in the packaged drinking water business, we strategically entered multiple core product categories of China’s beverage industry that have shown significant growth potential. Centered around our packaged drinking water products, we have also created a beverage product matrix to cater to the diverse consumer needs. In 2021, 2022 and 2023, revenue generated from our beverage products accounted for 4.6%, 5.7% and 7.9% of our total revenue, respectively, and revenue generated from our beverage products exceeded RMB1 billion in 2023. We have successfully created multiple hit products which achieved leading positions in core products categories in China’s RTD soft beverage industry, such as packaged drinking water, tea beverage and juice beverage products, among others. Other than “C’estbon,” we have another five brands of beverage products which achieved a retail sales value exceeding RMB100 million in 2023, namely, “Zhi Ben Qing Run” (“至本清潤”), “Mi Shui Series” (“蜜水系列”), “Holiday Series” (“假日系列”), “FIRE” (“火咖”) and “Gogo-no-Kocha milk tea” (“午後奶茶”), according to the CIC Report. We have continuously solidified a strategic roadmap of “one flagship brand accompanied by a spectrum of popular brands” across multiple product categories, with our “C’estbon” leading the way as the number one brand in China’s purified drinking water market, and we have innovatively established a robust portfolio of other beverage brands to further strengthen our market position. This strategic roadmap has been driving and will continue to drive our revenue growth, profitability and operational efficiency. During the Track Record Period, our beverage products experienced a CAGR of over 40% for both revenue and sales volume, marking an exceptional achievement that significantly outperformed the average industry growth rate.

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One of our notable successes in beverage product developments is the development and launch of our Zhi Ben Qing Run chrysanthemum tea. In Guangdong, chrysanthemum tea is traditionally regarded as a healthy drink due to its cooling, moisturizing and nourishing attributes. Leveraging this recognition and the consumption patterns in this region, we strategically chose the chrysanthemum tea sub-segment within the tea beverage category. We aim to create a hit product, positioned as a Chinese style tea beverage offering “*Classic Flavors, Taste of Memories*,” with a sweet and refreshing taste that appeals to a wide audience. We carefully select quality ingredients such as Hangzhou white chrysanthemum flowers (杭白菊) and brown crystal sugar (黄冰糖), apply modern beverage production techniques and adopt package design with traditional aesthetics and “China Chic” styles to develop our Zhi Ben Qing Run chrysanthemum tea. Launched in August 2021, Zhi Ben Qing Run chrysanthemum tea recorded a retail sales value of RMB756.4 million in 2023. According to the CIC Report, Zhi Ben Qing Run ranked first in China’s chrysanthemum tea beverage market, with a market share of 38.5% in 2023. Building on the success of Zhi Ben Qing Run chrysanthemum tea, we introduced Zhi Ben Qing Run lemon tea in 2023 and sour plum drink in 2024. This addition further diversified our product portfolio and strengthened the market presence of Zhi Ben Qing Run brand in the beverage market.

We place great emphasis on R&D, continually launching different innovative products, as well as upgrading and optimizing existing products to further enrich our product matrix. As a result, we have continuously deepened the layout of our core product categories with significant market potential such as tea beverages, juice beverages and sports drinks, thereby reinforcing our multi-category development roadmap. As of 31 December, 2023, we have an R&D team comprised of 60 personnels, including 18 with master’s degrees and 31 with the title of engineer. Most of our R&D team have extensive experience in the food and beverage industry. During the Track Record Period, we initiated a research framework specializing in sensory analysis and thermotolerant microorganisms, and established sensory analysis, tea and coffee laboratories to enhance our R&D prowess. According to the CIC Report, we are a pioneer in introducing mid- to large-sized drinking water in 6L and 12.8L to cater to the needs of family consumption scenarios, we also successfully launched innovative products such as Zuo Wei Cha Shi Green Tea, Seikai-no-Kitchen Salty Lychee, “L’eau” premium packaged drinking water and FEEL sparkling water, continually enriching our product layout in core categories with market potential.

Adhere to “delicate cultivation for triumphing at the end market” and establish our sales and distribution network with strong control and high efficiency

Our regional expansion strategy

Beginning the journey with the introduction of our “C’estbon” brand packaged distilled water in Shenzhen, Guangdong in 1990, we have secured the stronghold in Guangdong and established leading position in the packaged drinking water market in the Southern Region and provinces in the proximity. According to the CIC Report, we have ranked first in the packaged drinking water market for consecutive years in Guangdong, Hunan, Sichuan, Hainan and Guangxi. Leveraging our leading position in these provinces, in recent years, we have

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strategically targeted the Yangtze River coastal market as the focal direction for our regional expansion and achieved strong results. The Yangtze River coastal market spans seven provinces and municipalities including Shanghai, Jiangsu, Anhui, Hubei, Chongqing, Sichuan and Xizang, covering an area of approximately 2.2 million square kilometers, which accounts for 23.1% of the nation’s total area, with a population share of 24.8% and contributing 29.4% to the national GDP. In terms of retail sales value in 2023, the packaged drinking water market share of the Yangtze River coastal market is approximately 30% in 2023. According to the CIC Report, in the seven provinces and municipalities along the Yangtze River coast, our packaged drinking water products ranked first in two provinces (Sichuan and Hubei) and second in five provinces/municipalities (Shanghai, Jiangsu, Anhui, Chongqing and Xizang), in terms of retail sales value in 2023.

Strategically harnessing the dense population and developed economies of the Southern China and the Yangtze River coastal market, we have continued deepening the reach of our sales network in markets where we hold a leading position and seizing the market potentials in the Northern China, Eastern China and other regions in China. In each target geographical market, we have successfully replicated our expansion roadmap. This begins with securing a leading position and establishing a strong presence in key areas, then broadening our reach to nearby markets, which has yielded significant results. For example, to comprehensively enhance our penetration in the northern region, we have first established strong presence in Beijing, Liaoning and Shaanxi and leverage such leading position to enhance our coverage in other provinces in the proximity. As a result, we have experienced strong increase in sales volume in the Northern market (Beijing, Tianjin, Hebei and Shanxi), Northeastern market (Heilongjiang, Jilin and Liaoning) and Northwestern market (Shaanxi, Inner Mongolia, Gansu, Ningxia, Qinghai and Xinjiang), recording an increase of 16.0%, 20.9% and 31.7% in sales volume in 2023 compared to the preceding year, respectively.

In the meantime, we actively participate in the implementation of the Guangdong-Hong Kong-Macau Greater Bay Area strategy and expand into the Hong Kong and Macau markets leveraging the brand equity of the CR Group and our sales and distribution capabilities. We are the Mainland China enterprise with the highest retail sales value in the Hong Kong packaged drinking water market in 2023, according to the CIC Report. In 2023, our sales volume in Hong Kong increased by 157.0% compared with that in 2022. With partnerships with major retail operators in Hong Kong and simultaneously riding on the momentum of our C’estbon packaged drinking water products, we have introduced multiple beverage brands to the Hong Kong market, including Zhi Ben Qing Run, Mi Shui Series and Zuo Wei Cha Shi.

Our sales channel strategy

Adhering to our sales channel strategy of “delicate cultivation for triumphing at the end market,” we place significant emphasis on terminal retail points of sale, particularly the strategic locations that possess the potential to serve as influential exemplars within the industry. We have adopted a nationwide unified sales channel strategy, exemplified by our “hundreds of cities, thousands of stores demonstration street” (“百城千店示范街”) initiative, the “collective efforts to cover the market” (“集體鋪市”) activity and the “green land action”

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(“綠地行動”) campaign, to expand the retail points of sale selling our products. By diligently maintaining our consumer relationships, conducting market research, ensuring optimal displays at the retail points of sale, and performing regular inspections of commercial refrigerator showcases, we continually enhance our influence at our retail points of sale. To further support our retail points of sale, we enhanced efforts for commercial refrigerator showcases, with over twice as many commercial refrigerator showcases placed in 2023 compared to that in 2021. This strategic approach encourages operators of the retail points of sale to devote additional resources to display and sell our products, thereby attracting a larger consumer base and enhancing the overall consumer experience. According to the CIC Report, in 2023, we ranked first in the industry in terms of average retail sales value of packaged drinking water products per retail point of sale. We continue to deepen our cooperative relationships with retail points of sale, laying a solid foundation for multi-category expansion. For example, the percentage of retail points of sale selling both our packaged drinking water and beverage products in the total retail points of sale selling our packaged drinking water products increased from 50.6% in 2021 to 67.1% in 2023.

We value and actively expand into emerging sales channels. Since 2014, we have accelerated our development and investment in our online business and established our presence on all major e-commerce platforms in China. We have also actively collaborated with instant e-commerce, facilitating the rapid development of our 30-minute delivery service. During the Track Record Period, our revenue from e-commerce channels increased significantly, with a CAGR of 34.0% from 2021 to 2023, and reached RMB709.8 million in 2023. We adopted a diversified sales strategy, incorporating methods such as content recommendation and live streaming for marketing and promotion on new media platforms. Through seamless collaboration between our sales and marketing departments, we accurately grasped consumer profiles, dynamically perfected our market strategies and enhanced our sales volume. For example, by precisely capturing the mindset of young consumers keen on trying new things, we developed a 350ml small-sized Lemon Mi Shui specifically for e-commerce channels frequented by young customers, meeting the demand for portability and cost-effectiveness. Upon its launch, it immediately became the top-selling item in the juice beverage category on the Douyin platform during the summer season of 2023. In 2023, sales through e-commerce channels accounted for 25% of the total sales of Mi Shui series during the same year. Furthermore, to further penetrate the household market, we have expanded into community sales scenarios through our “Bee Stores,” which explore product adaptation and operational models in community consumption scenarios in key cities, utilizing cost-effective and modular equipment. Moreover, we collaborated with nationwide third-party smart terminal retail equipment operators with a particular location focus on schools, hospitals, factories, tourist attractions and transportation hubs to continuously enhance our brand recognition, product sales and market coverage.

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Strong and dedicated sales team and effective management system, underpinning the strengths of our robust distribution network

We have successfully formed a strong distributor network, characterized by its stable growth, mutually beneficial cooperation and value-sharing system. During the Track Record Period, we successfully partnered with over 1,000 distributors nationwide, covering over two million retail points of sale across the country accumulatively. We have actively sought to increase our market penetration in the third-tier or lower cities for sustainable growth. The percentage of retail points of sale we covered located in third-tier and lower cities increased from 51.2% as of December 31, 2021 to 54.6% as of December 31, 2022, and further to 55.9% as of December 31, 2023, showcasing our robust capabilities to cultivate our sales and distribution network in such market. We house a strong and dedicated sales team. As of December 31, 2023, we had over 8,700 dedicated front-line sales personnel, making us one of the enterprises with the most powerful in-house sales team in China’s RTD soft beverage industry in terms of team scale and sales efficiency, according to the CIC Report.

We believe that having our own sales personnel lead the service and maintenance operations of our retail points of sale is crucial to our sales channel strategy, which can provide efficient mobilization capability in the fast-moving consumer goods industry. We have a dedicated and experienced sales team, comprising sales personnel with an average of more than six years’ experience and a sales management team with an average of over 18 years’ relevant experience. Our front-line sales personnel maintain close communication with operators at each retail point of sale, fostering and preserving collaborative partnerships through regular on-site visits and full-range support, including maintenance, management and guidance. Our sales team accurately understands the competitive landscape at retail points of sale, consumer preferences, product pricing and channel inventory status and is further empowered by our comprehensive traceability management system, which collects information regarding channel inventory and product distribution to facilitate efficient production scheduling. This strategic insight enables our sales team to effectively construct a well-structured sales network, enhance market penetration across various product categories, particularly within our rapidly expanding beverage products, and strengthen channel influence and consumer loyalty.

We have developed a comprehensive and efficient distributor management and cooperation mechanism, which mainly encompasses bidding procedures, regional division principles, order and settlement management, business goal formulation and assessment, marketing support and training programs, to enhance the management level and efficiency of our distribution network. We have implemented the CRM-SUP system (客戶關係管理支持系統) to boost the efficiency of our front-line sales team. This innovative system streamlines the entire workflow into a standardized online operational system which can be conveniently managed through handheld devices. The CRM-SUP system effectively assists us in critical business processes, including planning business visits, processing orders, arranging promotions and overseeing performance, which has significantly enhanced our operational efficiency and strategic decision-making. See “— Information Technology.” During the Track Record Period, on average, each of our front-line sales personnel paid a growing number of visits to retail points of sale in line with our business needs.

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Comprehensive production capacity layout synergizing with nationwide sales network to continually reduce cost and enhance efficiency

We have established a comprehensive production capacity layout in seamless synergy with our nationwide sales network. As of December 31, 2023, we had 12 self-owned factories in operation and collaborated with 34 Cooperative Manufacturing Partners across China to produce packaged drinking water and beverage products. Our production factories are strategically located in 19 densely populated provinces and municipalities in China, encompassing all first-tier and new first-tier cities within a radius of 300-500 kilometers. We follow the “1+N” model to position our factories, which typically includes the positioning of several satellite production factories in the vicinity of our large production factory in each region. This model ensures that our production capacity layout is closely centered around core markets to facilitate sales in proximity of production factories, decreasing delivery radius and logistics costs. Meanwhile, it helps achieve a flexible and efficient production supply to adapt to the dynamic demand of the market.

Our robust production capacity enables us to meet the diverse production requirements concerning various types, specifications and categories of RTD soft beverage products. During 2023, our total output of packaged drinking water and beverage products combined amounted to 13.5 million tons, with daily production capacity reaching up to 4.4 million boxes, standing at an industry-leading level. Our strategic emphasis on regional markets with high-quality water resources enables us to provide consumers with safe, healthy and high-quality products and to ensure our products are able to meet or exceed the national standards. We proactively made strategic deployment to obtain the access to quality water sources, such as Wanlv Lake in Guangdong Province, Wuyi Mountain in Fujian Province and Danjiangkou in Hubei Province to construct or expand our production factories. Moreover, through collaborations among our “three centers” – the production center, operation center and marketing center – we are able to dynamically balance our production and sales. As we gradually shift from a sales-driven production model to a dynamically balanced production and sales model, we are able to better take advantage of significant opportunities to further diversify our product portfolio, cater to consumer demands and enhance consumer experience.

When determining the locations of our production factories in different regional markets, we strategically evaluate whether to construct self-owned factories or to engage Cooperative Manufacturing Partners, in order to achieve a seamless integration of scale expansion with production efficiency and continually optimize cost management and efficiency. In well-established markets, markets with long-term growth potential, or areas with high-quality or abundant water resources and supplies, we strategically construct self-owned factories to enhance our production capacity and operational efficiency. During the Track Record Period, our self-owned factories in operation have shown continuous improvement in production capacity, with an annual output exceeding 4.4 million tons in 2023, which increased by 16.5% as compared to 2021. To further boost production capacity and production efficiency of our self-owned factories, we have incorporated advanced equipment into our factories. In addition, we have established close business relationships with Cooperative Manufacturing Partners, enabling us to secure ample production capacity to meet market demands. We have established

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exclusive arrangements with our Cooperative Manufacturing Partners to produce packaged drinking water products in accordance with our specified technical and quality control standards. Through the strategic footprint of our self-owned production facilities and in-depth control of our Cooperative Manufacturing Partners, we have gradually established our regional market advantages, enhanced our market share and optimized our logistic capabilities, enabling us to achieve effective cost control by fully utilizing the transportation radius of our production capacity layout.

Since our inception, we have placed utmost importance on the quality and safety of our products, leading the way in adopting advanced production techniques and water source management practices. We have established unified quality standards that cover the entire value chain of our products, applicable to both our self-owned factories and Cooperative Manufacturing Partners. In strict adherence to guidelines, norms and implementation standards pertaining to food safety and quality management, all of our production factories involved in the production of packaged drinking water have obtained FSSC22000/ISO22000 food safety management system certification. Furthermore, our headquarters laboratory received recognition from the China National Accreditation Service for Conformity Assessment (CNAS) in 2015. As a dedicated RTD soft beverage company under the CR Group, we actively uphold our social responsibility and adhere to a quality value of “integrity cultivates quality; responsibility yields excellence.” Based on thorough understanding of consumer needs, we continuously enhance our quality management capabilities to create value and safeguard our sustainable development. See “— Quality Control.”

We have also developed digitalized supply chain management capabilities, thus enhancing our production and transportation efficiency while ensuring the steady expansion of our business. For instance, in response to the surge in PET prices historically due to geopolitical factors, we implemented an AI-assisted raw material and packaging material management system to help us secure price advantages during raw material and packaging material purchases. The technology underlying this system has been granted a national invention patent and awarded the “2022 CR Group Excellent Intelligent Project (華潤集團2022年智數優秀項目).” In addition, we have achieved precise traceability of raw materials and packaging materials and finished products through our proprietary IT systems, enabling us to manage inventory statistics, track sales and ensure product quality and safety. We also significantly improved operational efficiency through leveraging our IT systems for order planning coordination and optimizing our logistics and delivery solutions. By maintaining strong collaboration with our Cooperative Manufacturing Partners, we actively extended to the upstream of the industry value chain and accelerated our cost-reduction and efficiency-enhancement initiatives in 2023, such as independently completing injection molding process, optimizing bottle shapes and replacing sleeve labels to adhesive labels, which effectively improved our profitability.

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Adhering to “responsibility serving as the cornerstone of our brand” to exemplify corporate responsibility and promote green and sustainable development

As a dedicated RTD soft beverage enterprise within the CR Group, we share the common corporate culture and ethos with the CR Group and its related business units, renowned for our unwavering commitment to social responsibility and welfare advancement. Adhering to the ethos of “responsibility as the cornerstone of our brand,” we proactively align with national policies, practice social responsibility and contribute to societal welfare. As a leading enterprise in corporate social responsibility, we have developed a robust management system. Since 2014, we have consistently demonstrated our commitment by publishing annual Corporate Social Responsibility (“CSR”) reports, signifying a decade of dedication. We actively engage with our stakeholders through various communication channels, incorporating the expectations of our consumers and employees into our CSR value chain.

We are dedicated to practicing our social responsibility and making positive contributions to the broader community. Throughout the years, we have consistently supported charitable causes and actively engaged in philanthropic activities. Our commitment to social responsibility is evidenced through various initiatives, such as the “Hundred Libraries Plan” (“百所圖書館計劃”), which involves donating libraries to primary and secondary schools in regions lacking educational resources and is a long-term, sustainable rural revitalization type of voluntary service project. Launched in 2007, the “Hundred Libraries Plan” has been carried out for 17 consecutive years as of December 31, 2023, reaching out to 20 provinces, five autonomous regions and three municipalities directly under the Central Government, donating and completing a total of 240 libraries for public welfare, collecting more than a million books and benefiting more than a million children, which has been widely recognized and praised by society. As a recognition of our efforts, the “Hundred Libraries Plan” won the Silver Award of the 6th China Youth Volunteer Service Project Competition in recognition of our efforts. In 2023, the “Hundred Libraries Plan” was honored with the “Annual Public Welfare Endeavor Award” at the Southern Weekly 2023 Dream Builders Public Welfare Congress. Furthermore, we have established the “Disaster Relief Rapid Response Mechanism” (“救災公益快速響應機制”) to actively participate in disaster relief efforts in areas affected by earthquakes, floods and other disasters through donations of goods and volunteer work. See “— Environmental, Social and Governance Matters — Community Engagement.”

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Furthermore, we are committed to the carbon peak and carbon neutrality (the “**Dual Carbon**”) goals and uphold the principle of green development. In 2022, we rolled out our Dual Carbon management strategy, encompassing carbon footprint verification, product carbon footprint and carbon neutral implementation plan. In particular, we have taken the initiative to implement environmentally friendly policies and measures in the ordinary course of our business. We also leverage our wide publicity and brand recognition to actively promote our environmental protection agenda to contribute to sustainable development. Our efforts were recognized by multiple awards, including “2022 Outstanding Enterprise in Practicing Social Responsibility in China’s Beverage Industry” (“2022中國飲料行業實踐社會責任優秀企業”) awarded by the China Beverage Industry Association in 2023. See “— Environmental, Social, and Governance Matters — Environmental and Social Issues.”

Through our engagement in social welfare initiatives and our commitment to green development, we demonstrate to the public our steadfast dedication to social responsibility. Such endeavors have effectively enhanced our corporate image and brand recognition across all sectors of society, which in turn fosters a collaborative ecosystem characterized by mutual trust and co-prosperity, facilitating positive engagement and sustainable growth with our stakeholders.

Visionary management leadership and dedicated strategic support from shareholders

A visionary management team is key to our success in excelling in the competition. Our senior management have an average of over 10 years’ experience in the fast-moving consumer goods and RTD soft beverage industry, and is fully committed to our mission to bring a safe, healthy and wonderful life through high-quality packaged drinking water and beverage products. Our senior management are dedicated to applying their business acumen, extensive experience and sharp market insights to lead the team towards a stable and sustainable business growth. See “Directors and Senior Management.”

Our talented and reliable employees are fundamental to our success. We have established a comprehensive and effective human resource management system that includes a cadre selection process aligned with our business strategy, a systematic and tiered talent development model, an all-staff performance management approach that effectively drives business growth, and a competitive compensation distribution with diverse incentive mechanisms to shape sustainable organizational capabilities. We place particular emphasis on the construction of a talent echelon, continuously promoting the rotation and training of middle and front-line management, propelling the growth and development of young talents and intensifying the introduction of talents with professional and technology backgrounds, all with the aim of building a high-quality professional workforce. Our talent development system fully embodies the philosophy of “Valuing People, Unlocking Potential, Elevating Spirits (尊重人的價值,開發人的潛能,升華人的心靈),” allowing employees to continuously realize their life dreams.

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We benefit from the strategic support of our strong and dedicated shareholders. One of our Controlling Shareholders, CR Holdings, is one of the leading state-owned conglomerates headquartered in Hong Kong and was ranked 74th in the Fortune Global 500 in 2023. Its core businesses include consumer goods, integrated energy, urban construction and operation, healthcare, industrial finance, technology and emerging sectors. Under the CR Group, eight companies are listed on the Hong Kong Stock Exchange and nine companies are listed on the A-share market in Mainland China. Notably, CR Beer, CR Power, CR Land and CR Mixc are included in the constituents of the Hang Seng Index in Hong Kong. As a dedicated RTD soft beverage enterprise within the CR Group, we play a significant role in its consumer goods arm and our corporate culture aligns seamlessly with that of the CR Group and its associated business units. Benefiting from synergies in various areas including sales channels, digitalization, raw material procurement, construction management and ESG initiatives, we are able to further improve our operational efficiency, improve our market share and amplify our brand’s influence. For instance, our packaged drinking water and beverage products are sold through CR Vanguard’s supermarkets across the nation, which enhances our brand exposure and consumer reach. We also established a long-term cooperative relationship with China’s major PET material supplier, CR Chemical, to optimize our product cost structure and provide consumers with safe, standardized and high-quality products. See “Connected Transactions.”

OUR STRATEGIES

Enhance channel efficiency and expedite the expansion of comprehensive channel network

Committed to our sales channel strategy of “delicate cultivation for triumphing at the end market,” we regard the efficient management and expansion of our sales channels as pivotal to our enduring growth. To reinforce our market leadership, we will continue to focus on strengthening and expanding our sales channels while persistently refining our comprehensive sales network.

- We plan to amplify our strengths within the traditional channels. Leveraging our current advantages, we aim to stay responsive to evolving trends in the sales channels and enhance the capabilities and efficiency of our front-line sales team, thereby further invigorating our traditional channels and boosting operational efficiency. Our strategy includes keeping geographical expansion, enhancing distribution quality, deepening our reach into the retail points of sale of lower-tier markets, increasing our sales terminal exposure and elevating our product sales and brand awareness of different categories of products at strategic retail points of sale through displays and equipment placements, thereby continuously enhancing our brand prominence and market penetration.

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- We plan to strengthen our sales channel expansion efforts and refine our comprehensive sales network to maximize consumer reach. We will further explore the opportunities within e-commerce channels to expand consumer coverage, and continue to deepen consumer engagement and expand our offline presence through diversified channels, such as smart terminal retail equipment, catering, airway and hotel, among others. We will tailor our development strategies to suit the unique conditions of each region and channel, unlocking new growth opportunities for our products.

Expand and optimize production capabilities to improve supply chain effectiveness

We aim to enhance our production capabilities and refine our supply chain effectiveness to bolster our business operations. Leveraging our existing production lines and comprehensive logistics network, we aim to expand our self-owned factories to optimize our production capacities and extend our reach along the industry value chain, enhancing the stability and efficiency of our production.

- We intend to strategically construct self-owned factories, expand and improve our existing factories to ensure production security, efficiency and scalability, while achieving cost efficiency. We will continue to optimize our production capacity layout utilizing our "1+N" model.
- We plan to expand and extend our self-owned production lines to cover the entire industry value chain, especially the more value-creating segments, such as injection molding, to increase our profit margins. We also plan to further introduce advanced production equipment to improve automation and economies of scale.
- We will leverage our comprehensive logistics network encompassing water, land and rail transportation, optimize our warehouse capacity and invest in automated and intelligent infrastructure. These measures will enhance our operational efficiency and enable effective cost control.
- We will continue to optimize our efficiency in managing and utilizing water and energy resources to actively support the Dual Carbon goals. Our optimized packaging material and packaging method exemplify the concept of environmental protection and sustainable development, while also achieving cost reduction and efficiency.
- We plan to expand our quality water sources by proactively identifying and obtaining the access to additional natural and natural mineral water sources, thereby enriching the variety of our water offerings and improving our market shares.

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Uphold sports marketing strategies to strengthen brand recognition and enhance consumer interaction

With belief in integrating brand building with product sales, we are committed to enhancing brand vitality, recognition and reputation through our comprehensive market strategy, strengthening our brand and expanding our consumer reach to increase our sales.

- We view sports marketing as an integral part of our operating strategy that drives our market expansion. Through events such as sponsoring TEAM CHINA, marathons and the CSL, we aim to solidify our brand’s image as a leader in sports marketing, demonstrating our commitment to excellence and high quality. Leveraging our experience in collaboration with top-tier sports events, we plan to develop a robust “C’estbon” sports marketing matrix. We strategically seize the valuable opportunities during large international and domestic sporting events and enhance our partnerships with general sports games to further expand our brand’s visibility and recognition, strengthen communication with consumers and solidify our consumer base.
- We intend to optimize our marketing resources and achieve synergistic growth of brand awareness and sales volume. Adhering to long-terminism and continuously adapting to new market trends, we aim to enhance the effectiveness of our brand promotion and stimulate sales growth. Leveraging the rapid dissemination capabilities of online channels and the extensive reach and strong exposure of in-transit marketing, we will stay ahead of emerging trends in advertising and promotion, constantly innovating the form and substance of our marketing campaigns.
- We will further develop a high-quality after-sales service and customer support team to deliver satisfactory service. By attentively responding to consumer feedback and needs, we will continually improve our products and services, establishing a strong reputation among consumers. We also plan to launch a direct-to-consumer online sales platform and membership system to enhance consumer interaction and engagement.

Accelerate product category expansion and increase investment in R&D

We plan to reinforce our leading position through expanding our product offerings and improving product quality. Leveraging deep consumer insights accumulated through the end market and industry-leading R&D capabilities, we will continue to uphold the “consumer first” principle, serving our consumers with a diversified selection of high-quality product offerings.

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- We are committed to enhancing our brand positioning and consumer recognition through expanding our product matrix. We aim to diversify our packaged drinking water offerings and broaden the water types we provide, to cater to a wider spectrum of consumer needs. In addition, we aim to further penetrate beverage categories with significant market potential, including tea beverages, juice beverages, carbonated beverages and sports drinks.
- We plan to continually improve our understanding of consumer demand. Through proactively conducting comprehensive research and harnessing technological innovation, we will be able to address consumer demands regarding product safety, nutrition, health and flavors, through innovative yet practical approaches.

Integrate the industry value chain and explore potential acquisitions to capitalize on market opportunities and drive business growth

We aim to seize market opportunities through integrating the industry value chain and identifying potential acquisitions. Our growth strategy is twofold: it encompasses organic growth and the acquisition of valuable assets or brands along the industry value chain. We are dedicated to identifying and integrating potential targets for partnerships and acquisitions of strategic significance domestically and overseas. We will consider mergers and acquisitions of high-quality RTD soft beverage companies along the industrial chain after careful selection and evaluation to unlock growth potential. Except for the acquisition of Wuhan Huaxinda Beverage Technology Co., Ltd, one of our Cooperative Manufacturing Partners, in January 2024 as part of our production expansion plan, during the Track Record Period and as of the Latest Practicable Date, we have not identified any major targets for partnerships, mergers or acquisitions or entered into such related agreements.

Promote technological innovation and drive digital transformation to optimize operational efficiency

We value technological innovation and digital transformation as key levers to boost operational efficiency. We aim to establish our digital infrastructure across sales, operations, production and logistics to facilitate intelligent procurement, transportation and production processes. By integrating cutting-edge technologies and digital systems, we strive to establish an interconnected, intelligent and efficient management system. This approach enables us to visualize operation and management, thereby enhancing operational efficiency. Our commitment to digital innovation and transformation underscores our dedication to operational excellence.

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Persistently strive to attract, cultivate and retain top talents to drive organizational advancement

Recognizing talents as one of our core competencies, we aim to enhance our human resources management, expand our talent pool and secure key talents. We plan to refine our recruitment and training systems to attract high-caliber talents with excellent educational background, technical expertise and global perspective. We have established and will continuously improve our talent selection and promotion mechanism, which provides competitive compensation and comprehensive welfare benefits for our employees. We are dedicated to establishing a professional and efficient management system, encouraging employees to fully unleash their creativity, preserving the motivation and stability of our core team, fostering timely organizational adaptations, and continually enhancing operational efficiency.

OUR PRODUCTS AND BRANDS

Committed to becoming the go-to brand to address the basic and diversified beverage needs of Chinese consumers, we have been developing and offering a variety of quality RTD soft beverages under our diverse brand portfolio, primarily including C'estbon (“怡寶”), Zhi Ben Qing Run (“至本清潤”), Mi Shui Series (“蜜水系列”), Holiday Series (“假日系列”) and Zuo Wei Cha Shi (“佐味茶事”). We have crafted a diverse portfolio of market-leading products primarily in two categories: packaged drinking water products and beverage products, which are widely recognized among Chinese consumers. As of the Latest Practicable Date, our product portfolio comprised 13 brands and 56 SKUs in total.

The following table sets forth our revenue by product category for the periods indicated:

| | Year ended December 31, | | | | | |
|--|---|--------------|-------------------|--------------|-------------------|--------------|
| | 2021 | | 2022 | | 2023 | |
| | Amount | % | Amount | % | Amount | % |
| | <i>(RMB in thousands, except for percentages)</i> | | | | | |
| Packaged drinking water products | 10,817,805 | 95.4 | 11,905,738 | 94.3 | 12,446,560 | 92.1 |
| Small-sized bottled water products ⁽¹⁾ | 6,922,561 | 61.0 | 7,484,417 | 59.3 | 7,715,685 | 57.1 |
| Medium- to large-sized bottled water products ⁽²⁾ | 3,469,225 | 30.6 | 3,962,285 | 31.4 | 4,242,914 | 31.4 |
| Barreled water products ⁽³⁾ | 426,019 | 3.8 | 459,036 | 3.6 | 487,961 | 3.6 |
| Beverage products | 522,076 | 4.6 | 717,038 | 5.7 | 1,068,168 | 7.9 |
| Total | 11,339,881 | 100.0 | 12,622,776 | 100.0 | 13,514,728 | 100.0 |

Notes:

- (1) Small-sized bottled water products refer to packaged drinking water products with an individual container volume of no more than 1L.
- (2) Medium- to large-sized bottled water products refer to packaged drinking water products with an individual container volume between 1L and 15L.
- (3) Barreled water products refer to packaged drinking water products with an individual container volume of 18.9L.

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The following table sets forth certain key information of our main products by brand and product category as of the Latest Practicable Date:

| Product Category | Brand | Description | Brand Launch Time | Individual Container Volume | Suggested Retail Price to End Customers | Number of SKUs |
|--|--|--|---------------------|---|---|----------------|
| Packaged drinking water products | C'estbon (怡寶) | Bottled/barreled purified drinking water | 1990s | 350ml, 400ml, 555ml, 1.18L, 1.55L, 2.08L, 4.5L, 6L, 12.8L and 18.9L | RMB1.5 to RMB23 | 10 |
| | | Bottled purified drinking water and natural drinking water | | 520ml and 5L | N/A ⁽¹⁾ | 3 |
| | L'eau (怡寶露) | Premium natural mineral water in glass bottles | 2022 | 350ml and 750ml | RMB15.0 to RMB30.0 | 2 |
| | Bonjour Forêt (本優) | Bottled natural mineral water | 2023 | 350ml and 555ml | RMB1.5 to RMB2.0 | 2 |
| | Jialinshan (加林山) | Barreled natural mineral water and purified drinking water | 2010 | 18.9L | RMB18.0 to RMB22.0 | 2 |
| | FEEL (FEEL氣泡蘇打水) ⁽²⁾ | Canned/bottled sparkling water | 2022 | 330ml and 480ml | RMB3.0 to RMB4.0 | 4 |
| Tea beverage products | Zhi Ben Qing Run (至本清潤) ⁽³⁾ | Herbal-based tea beverage | 2021 | 310ml, 450ml, 1L and 1.5L | RMB3.0 to RMB8.5 | 8 |
| | Zuo Wei Cha Shi (佐味茶事) | Sugar-free tea beverage | 2019 | 430ml | RMB5.0 | 3 |
| | Gogo-no-Kocha milk tea (午後奶茶) | Milk tea beverage | 2011 ⁽⁴⁾ | 430ml and 500ml | RMB4.0 to RMB5.0 | 3 |
| Juice beverage products | Mi Shui Series (蜜水系列) | Flavored water | 2018 | 350ml and 480ml | RMB4.0 to RMB5.0 | 5 |
| | Holiday Series (假日系列) | Low-concentration juice | 2019 | 440ml and 1.5L | RMB4.0 to RMB8.5 | 5 |
| | Sekai-no-Kitchen (源自世界的廚房) | Low-concentration juice | 2022 | 500ml | RMB5.0 | 1 |
| Other products . . | Mulene (魔力) | Sports drinks | 2011 ⁽⁴⁾ | 500ml | RMB5.0 | 3 |
| | FIRE (火咖) | Coffee beverage | 2011 ⁽⁴⁾ | 180ml, 260ml, 280ml and 440ml | RMB3.5 to RMB6.0 | 5 |

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Notes:

- (1) As of the Latest Practicable Date, certain bottled water SKUs under our C'estbon brand were not available for retail sales.
- (2) We have two SKUs of carbonated beverage under the brand FEEL, representing the lime-flavored canned and bottled sparkling water, in 330ml and 480ml, respectively.
- (3) We have one SKU of juice beverage under the brand Zhi Ben Qing Run, representing the Zhi Ben Qing Run sour plum drink in 450ml.
- (4) Brand launch time of Gogo-no-Kocha milk tea, Mulene and FIRE refers to the time when we established our strategic collaboration with KIRIN brand and started to sell these products as part of our product portfolio.

Packaged Drinking Water Products

We primarily manufacture and sell our packaged drinking water products under our core brand “C'estbon.” According to the CIC Report, we ranked second in the packaged drinking water market in China in 2023, and ranked first in the purified drinking water market in China in terms of retail sales value. As of December 31, 2023, our packaged drinking water products comprised our bottled water products under our brands “C'estbon,” “L'eau,” “Bonjour Forêt” and “FEEL” and our barreled water under “C'estbon” and “Jialinshan.”

Bottled Water

C'estbon (怡寶)

We launched our brand “C'estbon” in the 1990s, as one of the first and largest companies in China specialized in the production of packaged drinking water products. In line with our brand slogan of “Your and My C'estbon,” we are dedicated to providing consumers with our packaged drinking water to satisfy daily hydration needs of our consumers and to effectively rehydrate during physical activities. We are also one of the members who initiated and drafted the Chinese national standards for bottled purified drinking water. Utilizing advanced production techniques, C'estbon products are in compliance with more stringent standards than the national standards in China, ensuring purity in every drop. With our decades of endeavor in R&D and quality control, C'estbon has become a pioneer in China's packaged drinking water market and one of the most popular packaged drinking water brands in China.

Our small-sized bottled water products have been the flagship products under our C'estbon brand, which are popular among Chinese consumers. Since the launch of the “small green bottle” in 2001, its classic image has helped us swiftly gain market recognition and garnered substantial market share in the packaged drinking water market, contributing significantly to the establishment of our brand position and reputation. To accommodate the rising demand from individual consumers, households and offices, we expanded our product lines to include medium- to large-sized bottled water products exceeding 1L. This strategic extension was in direct responding to the dynamic shifts in China's consumer behavior and the burgeoning market appetite for such offerings. This move was motivated by an increasing

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consumer consciousness regarding water safety and a stronger inclination towards packaged drinking water for various household settings. We introduced the 6L- and 12.8L-sized packaged drinking water in 2020 and 2021, respectively, to address a spectrum of consumption scenarios. We also launched other new SKUs of packaged drinking water products in 2023 and 2024 with different packaging sizes and water types to further diversify our product offerings. Our C'estbon bottled water product lineup has different size options designed for various drinking scenarios and consumption needs.

The pictures below set forth our C'estbon bottled water products:

Personal and portable drinking scenario (below 1L)



Household, catering and outdoor scenario (above 1L)



L'eau (怡寶露)

Launched in 2022, “L'eau” (“怡寶露”) is our high-end natural mineral water brand introduced to the premium packaged drinking water market and tailored for high-end consumption scenarios including upscale business establishments, bars, luxury hotels, fine dining venues and coffee shops. Sourced from our 120-meter underground water source at Jialin Mountain, which ensures stable metasilicate content and exceptional water quality, L'eau highlights the essence of simplicity and quality through the natural purity of the products.

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Packaged in elegantly designed glass bottles, L’eau’s packaging features a fluid and streamlined shape that echoes the natural form of water droplets. The front of the bottle showcases the Chinese character “露” and the French word “L’eau,” combining cultural symbols from both Chinese and Western traditions to evoke a sense of diversity and artistic charm, enhancing the brand’s sophistication. As of December 31, 2023, we have two SKUs under L’eau, representing two size options: 350ml and 750ml. The pictures below set forth our L’eau products:



L’eau (350ml)



L’eau (750ml)

Bonjour Forêt (本優)

Bonjour Forêt (“本優”) is a natural mineral water brand that offers a refreshing and quality daily drinking experience at an affordable suggested retail price without exceeding RMB2.0. Its minimalist and approachable design is inspired by the elements of sunlight and water droplets in nature. Its brand name is also seamlessly integrated into the bottle design, which deviates from the traditional wraparound labels and showcases the elegance and beauty of Bonjour Forêt. As of December 31, 2023, we had two SKUs under Bonjour Forêt, representing two size options: 350ml and 555ml. The pictures below set forth our Bonjour Forêt products:



Bonjour Forêt (350ml)



Bonjour Forêt (555ml)

BUSINESS

FEEL

Launched in 2022, “FEEL” is a sparkling water brand committed to bringing to consumers the refreshing taste of sparkling water while keeping zero sugar, zero fat, zero calories and zero potassium sorbate. FEEL brand aims to provide our consumers with a healthy option that can be enjoyed on any occasion. As of December 31, 2023, we have two sparkling water SKUs under FEEL, representing two size options: 330ml and 480ml. The pictures below set forth our FEEL products:



FEEL (330ml)



FEEL (480ml)

Barreled Water

C'estbon Barreled Water

Our purified barreled water product, “C'estbon Barreled Water” (“怡寶桶裝水”), launched under our flagship brand C'estbon seeks to cater to the growing demand for larger-sized drinking water products for household and office use. As of December 31, 2023, we had one SKU for C'estbon Barreled Water in 18.9L size. The picture below sets forth our C'estbon Barreled Water product:



18.9L

C'estbon Barreled Water

BUSINESS

Jialinshan (加林山)

Launched in 2010, “Jialinshan” (“加林山”) stands as a testament to our commitment to providing convenient and sustainable hydration solutions tailored to meet large-volume hydration needs. Our Jialinshan barreled water is produced from natural mineral water. We also have a sub-brand Yonglong (“永隆”) under our brand Jialinshan selling purified barreled water. As of December 31, 2023, we have two SKUs under Jialinshan, representing natural mineral water and purified drinking water, both in 18.9L barrel size. The pictures below set forth our Jialinshan products:



18.9L

Jialinshan Natural Mineral Water
(加林山桶裝水(天然礦泉水))



18.9L

Yonglong Purified Drinking Water
(永隆桶裝水(純淨水))

Beverage Products

In recent years, we continued to enrich our product portfolio under different brands to cater to our consumers’ evolving preferences by introducing beverage products, such as tea beverage products and juice beverage products, into our product portfolio. During the Track Record Period, we rolled out, among others, tea beverages under Zhi Ben Qing Run, new flavors of sugar-free tea beverages under Zuo Wei Cha Shi and new flavors of juice beverages under Holiday Series.

Tea Beverages

We currently have three brands for our tea beverage products covering herbal beverages under Zhi Ben Qing Run, sugar-free tea beverages under Zuo Wei Cha Shi and other tea beverages under Gogo-no-Kocha milk tea.

Zhi Ben Qing Run (至本清潤)

Launched in 2021, Zhi Ben Qing Run (“至本清潤”) is a Chinese herbal beverage brand that seeks to deliver the Chinese classics and the oriental aesthetic of life to consumers who uphold health and wellness. Zhi Ben Qing Run products are designed to appeal a wide consumer base across all age groups, suitable for drinking across different seasons and occasions. Zhi Ben Qing Run products are developed based on the traditional Chinese classic flavors, with the aim to help consumers discover the refreshing and sweet taste experience from Chinese herbal beverage, echoing its “Classic Savor — A Taste of Memory” (“經典滋味 • 記憶中的味道”) market positioning.

BUSINESS

As of December 31, 2023, we had seven SKUs under Zhi Ben Qing Run, including Zhi Ben Qing Run chrysanthemum tea (至本清潤菊花茶) and Zhi Ben Qing Run lemon tea (至本清潤檸檬茶) in various sizes. Launched in August 2021, the sales of Zhi Ben Qing Run series products rose rapidly with the retail sales value exceeding RMB100 million within one year, according to the CIC Report. In 2023, in terms of retail sales value, Zhi Ben Qing Run ranked first in China's chrysanthemum tea beverage market, with a market share of 38.5%, according to the CIC Report. Zhi Ben Qing Run chrysanthemum tea is made by mixing Hangzhou white chrysanthemum flowers and brown crystal sugar together, providing a delightfully sweet and floral taste.

We continue to expand our product portfolio by introducing new flavors and size options to meet diverse consumer needs. In February 2023, we introduced a new flavor to our selection with the launch of Zhi Ben Qing Run lemon tea, a unique blend of Yunnan province's large-leaf black tea infused with lemon juice. To explore a relatively untapped market, we introduced larger packaging options for both chrysanthemum tea and lemon tea in 2023. In the same year, we launched the a smaller size option of 310ml for both our Zhi Ben Qing Run chrysanthemum tea and lemon tea, meeting the inclination among consumers towards online shopping. By offering a variety of package sizes, our Zhi Ben Qing Run products become accessible for a broader range of consumption occasions, thereby appealing to a wider spectrum of consumer tastes and preferences. Leveraging the success of our Zhi Ben Qing Run brand, we launched Zhi Ben Qing Run sour plum drink in March 2024, further diversifying our beverage offerings. The pictures below set forth our Zhi Ben Qing Run products:



BUSINESS

Zuo Wei Cha Shi (佐味茶事)

Launched in 2019, Zuo Wei Cha Shi is a brand targeting health-conscious young consumers who value both health benefits and intricate taste, embodying its slogan “Zero Sugar yet Tasty” (“零糖也好喝”). As a sugar-free tea brand, Zuo Wei Cha Shi integrates the original flavor of tea with the healthy attributes of zero sugar, zero fat and dietary fiber, offering a healthy and tasty sugar-free tea option suitable for drinking at work, with meals or at leisure.

As of December 31, 2023, we have three SKUs under Zuo Wei Cha Shi: Zuo Wei Cha Shi Oolong Tea (佐味茶事烏龍茶), Zuo Wei Cha Shi Black Tea (佐味茶事紅茶) and Zuo Wei Cha Shi Green Tea (佐味茶事綠茶). The pictures below set forth our Zuo Wei Cha Shi products:



430ml

Zuo Wei Cha Shi Oolong Tea
(佐味茶事烏龍茶)



430ml

Zuo Wei Cha Shi Black Tea
(佐味茶事紅茶)



430ml

Zuo Wei Cha Shi Green Tea
(佐味茶事綠茶)

BUSINESS

Gogo-no-Kocha milk tea (午後奶茶)

In 2011, in order to diversify our product portfolio and cater to a larger consumer base in the beverage market, we established strategic collaboration with KIRIN brand, after which we started to sell Gogo-no-Kocha milk tea as part of our product portfolio. The Gogo-no-Kocha milk tea series is designed to provide consumers with a selection of high-quality and healthy milk tea options highlighted by its smoothness and milkiness. Produced with selected black tea and imported milk powder, Gogo-no-Kocha milk tea products are free from trans-fatty acid and are low in fat.

As of December 31, 2023, we had three SKUs under Gogo-no-Kocha milk tea: Gogo-no-Kocha milk tea (Classic Flavor) (午後奶茶經典原味), Gogo-no-Kocha milk tea (Chocolate Flavor) (午後奶茶巧克力口味) and Gogo-no-Kocha milk tea (the Tea of Wish) (午後奶茶願事之茗). The pictures below set forth our Gogo-no-Kocha milk tea products:



500ml

Gogo-no-Kocha milk tea
(Classic Flavor)
(午後奶茶經典原味)



500ml

Gogo-no-Kocha milk tea
(Chocolate Flavor)
(午後奶茶巧克力口味)



430ml

Gogo-no-Kocha milk tea
(The Tea of Wish)
(午後奶茶願事之茗)

Juice Beverages

We currently have three brands for our juice beverage products, namely Mi Shui Series, Holiday Series and Sekai-no-Kitchen. Among them, Mi Shui Series and Holiday Series are our key brands for juice beverages.

Mi Shui Series (蜜水系列)

Established in 2018, Mi Shui Series (“蜜水系列”) is a flavored water brand positioned to provide healthy juice beverages to young consumers and is designed for casual drinking during work, leisure and entertainment activities. Aligned with the brand slogan “When life gives you a lemon, make lemonade!” (“用心配才對味”), Mi Shui Series products use fruit juice originated from the Mediterranean mixed with honey at a low temperature, achieving a 5% juice content for each bottle. We use cold aseptic filling process to produce our Mi Shui series products and cold chain transportation to transport the juice, thereby retaining the fresh taste from the mix of fruit juice and honey.

BUSINESS

As of December 31, 2023, we had five SKUs under Mi Shui Series: Lemon Mi Shui (蜜水檸檬) in 350ml and 480ml, Grapefruit Mi Shui (蜜水白柚), Passion Fruit Mi Shui (蜜水百香) and Orange Mi Shui (蜜水の橙). The pictures below set forth our Mi Shui Series products:



350ml and 480ml
Lemon Mi Shui
(蜜水檸檬)



480ml
Grapefruit Mi Shui
(蜜水白柚)



480ml
Passion Fruit Mi Shui
(蜜水百香)



480ml
Orange Mi Shui
(蜜水の橙)

Holiday Series (假日系列)

Established in 2019, our juice beverage brand Holiday Series (“假日系列”) is designed to provide universally appealing and delicious low-concentration juice beverages to a broad consumer base that spans across all age groups. The Holiday Series is designed for a range of occasions and scenarios, including outdoor, work and study, as well as friends and family gatherings, conveying the brand’s slogan of bringing “beautiful holiday moments” (“美好假日時光”) and establishing the brand’s image as “joy, relaxation and coziness” (“歡樂、放鬆、愜意”). Our Holiday Series products are produced with juices from high-quality sources which have further undergone cold aseptic filling process, enabling us to retain the authentic taste of the juice and offer consumers a deliciously sweet and fragrant drinking experience.

As of December 31, 2023, we had five SKUs under the Holiday Series: Grape Holiday (葡萄假日) in 440ml and 1.5L, produced with bobal grape juice, Orange Holiday (橙橙假日) in 440ml and 1.5L, produced with orange juice and Peach Holiday (桃桃假日) in 440ml, produced with peach juice. The pictures below set forth our Holiday Series products:



440ml 1.5L
Grape Holiday
(葡萄假日)



440ml
Peach Holiday
(桃桃假日)



440ml 1.5L
Orange Holiday
(橙橙假日)

BUSINESS

Other Beverages

Mulene (魔力)

After our strategic collaboration with KIRIN brand in 2011, we started to sell Mulene (“魔力”) products as part of our product portfolio, and Mulene became our own beverage product brand in 2014. Mulene is a sports beverage brand positioned as a reliable source of replenishment for sports enthusiasts, with a brand proposition of “Hydrate and Replenish Anytime” (“隨時補充水分和電解質”). Mulene is tailored for individuals who are passionate about sports and looking for healthy and refreshing drinks. As of December 31, 2023, we have three SKUs under the Mulene brand: Mulene Vitamin Lemon Flavored (魔力維他命檸檬味), Mulene Amino Acid Grapefruit Flavored (魔力氨基酸西柚味) and Mulene Electrolyte Coconut Water Flavored (electrolyte beverage) (魔力電解質椰子水味(電解質飲料)). The pictures below set forth our Mulene products:



500ml

Mulene Vitamin Lemon Flavored
(魔力維他命檸檬味)



500ml

Mulene Amino Acid Grapefruit
Flavored (魔力氨基酸西柚味)



500ml

Mulene Electrolyte Coconut Water
Flavored (魔力電解質椰子水味)

FIRE (火咖)

In 2011, we started our strategic collaboration with KIRIN brand and started to sell FIRE (“火咖”) products as part of our product portfolio. This collaboration introduced the coffee-making style “Direct Fire Roasting” (“直火烘焙”) into our product portfolio, and the production process of which is characterized by allowing coffee beans to unveil their inherent aroma. As of December 31, 2023, we had five SKUs under FIRE, including Italian Strong Latte (意式香濃拿鐵), Italian Double Latte (意式倍醇拿鐵), Italian Latte Coffee (意式拿鐵咖啡), Iced Americano (美式冰咖啡) and Milk Foam Latte (奶泡拿鐵). The pictures below set forth our FIRE products:



180ml

Italian Strong Latte
(意式香濃拿鐵)



280ml

Italian Double Latte
(意式倍醇拿鐵)



440ml

Italian Latte Coffee
(意式拿鐵咖啡)



440ml

Iced Americano
(美式冰咖啡)



260ml

Milk Foam Latte
(奶泡拿鐵)

BUSINESS

OUR SALES NETWORK

We have built an extensive sales network to reach a wide range of consumers, enhancing our brand reputation and solidifying our competitive advantages. After years of efforts, we have established a comprehensive distributor network, comprising of distributors and sub-distributors, which allows us to effectively reach a broad base of consumers. We also maintain direct sales relationships with certain customers, such as well-known national supermarkets, chain convenience stores and e-commerce platforms. The following table sets forth a breakdown of our revenue by contribution from our customers for the periods indicated:

| | Year ended December 31, | | | | | |
|---------------------------|---|---------------------|--------------------------|---------------------|--------------------------|---------------------|
| | 2021 | | 2022 | | 2023 | |
| | Amount | % | Amount | % | Amount | % |
| | <i>(RMB in thousands, except percentages)</i> | | | | | |
| Distributorship | 9,963,166 | 87.9 | 11,098,215 | 87.9 | 11,785,382 | 87.2 |
| Direct sales | 1,376,715 | 12.1 | 1,524,561 | 12.1 | 1,729,346 | 12.8 |
| Total | <u>11,339,881</u> | <u>100.0</u> | <u>12,622,776</u> | <u>100.0</u> | <u>13,514,728</u> | <u>100.0</u> |

We have a nationwide distributor network in China which covers all of our sales channels, including traditional channel, modern channel, catering channel, specialty channel, e-commerce channel and other channels. Our direct sales cover the majority of the sales channels except for the traditional channel. For definitions of the sales channels, see “Industry Overview — Sales Channels.” Our strong traditional channel distribution capabilities have enabled us to establish a deeply penetrated sales and distribution network. Leveraging our competitive advantages in the traditional channel, we have further expanded into other channels including modern channel, catering channel, specialty channel and e-commerce channel. During the Track Record Period, the majority of our revenue was generated from the traditional channel, with the rest mainly from the modern channel.

BUSINESS

We have a strong and dedicated front-line in-house sales team, consisting of over 8,700 sales personnel as of December 31, 2023, covering over two million retail points of sale in China accumulatively during the Track Record Period. In order to maintain close relationships and communication with the retail points of sale, we require our sales personnel to visit and maintain additional retail points of sale based on actual business needs. Our sales personnel have an average of over six years’ experience, and our sales management personnel have on average over 18 years’ experience. To further enhance the collaborative sales and marketing capabilities across the entire country, we join forces with all business units to carry out the “collective effort to cover the market” initiative. This strategic initiative is designed to provide our sales team with a comprehensive understanding of the market, thereby eliminating potential blind spots and improving market coverage. In the meantime, it also offers an opportunity for employees from other departments to gain a deeper insight into our sales operations, fostering a more cohesive and informed workforce.

Distributorship

As of December 31, 2023, we cooperated with over 1,000 distributors. We implement a strict screening and evaluation mechanism and visit our distributors regularly to track their performance. The following table sets forth a breakdown of the number of our distributors in China by geographic location of the sales regions the distributors are responsible for as of the dates indicated:

| | As of December 31, | | | | | |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2021 | | 2022 | | 2023 | |
| | Number | % | Number | % | Number | % |
| Southern region | 195 | 18.0 | 187 | 17.6 | 195 | 18.3 |
| Eastern region | 119 | 11.0 | 125 | 11.8 | 136 | 12.7 |
| Southwestern region . . . | 349 | 32.1 | 312 | 29.5 | 285 | 26.7 |
| Other regions | 423 | 38.9 | 436 | 41.1 | 452 | 42.3 |
| Total | <u>1,086</u> | <u>100.0</u> | <u>1,060</u> | <u>100.0</u> | <u>1,068</u> | <u>100.0</u> |

* Other regions include (i) regions outside of the Eastern region, Southern region and Southwestern region in Mainland China and (ii) Hong Kong and Macau.

BUSINESS

Our Arrangements with Distributors

We operate a distributorship system and engage distributors for the sales of our products. We allow our distributors to sell their products to sub-distributors based on business needs. See “— Our Sales Network — Distributorship — Sub-distributors.” We typically enter into standard distribution agreements with our distributors, which are sales and purchase agreements in nature. The salient terms of our standard distribution agreements used during the Track Record Period are set out below:

- *Duration.* The duration of the distribution agreements is typically one year.
- *Distribution area.* We normally designate distribution area for our distributors.
- *Sales and performance target.* We determine the incentive amount based on our incentive schemes to encourage distributors to achieve or overachieve monthly and annual sales targets and promote the sales of our new products. We do not set minimum purchase requirements.
- *Pricing and logistics policies.* The purchase prices charged to our distributors vary with reference to, among others, costs and logistics. Our distributors can pick up the products by themselves or request us to arrange delivery of the products to locations agreed between distributors and us. We also provide recommended retail prices to our distributors.
- *Payment.* We generally require our distributors to make payment before the delivery of products, and may grant credit terms on a case-by-case basis, taking into consideration factors such as cooperation history and evaluation of credit standing.
- *Transfer of risk.* The risks transfer after our distributors or our carriers pick up the products.
- *Inventory.* Distributors are required to keep a reasonable inventory level of our products in accordance with our guidelines to avoid stock shortage.
- *Storage.* We require distributors to provide proper storage warehouses and sites to protect our products from heat, water, pests, toxic substances, odorous substances and other harmful substances, and ensure that our products are suitable for human consumption in compliance with the Food Safety Law and relevant regulations.
- *Return arrangements.* We typically do not allow distributors to return products to us unless there are product quality issues caused by us. We issue refunds or credits to our distributors for products returned due to such issues. According to the CIC Report, our product return arrangements are in line with the industry norm.
- *Termination.* We have the right to terminate contracts with distributors who breach the distribution agreement. We list several conditions that may result in breach of contract in the distribution agreements, such as where distributors fail to deliver products according to a specified time on three consecutive times or fail to reach the performance target in accordance with the agreement.

BUSINESS

Management of Distributors

To better achieve our sales channel strategy of “delicate cultivation for triumphing at the end market,” we have established a comprehensive and efficient distributor management and cooperation mechanism, which includes bidding procedures, regional coverage determination, order and settlement management, business target formulation and assessment, marketing support, training and evaluations, and inventory management. Our distributor management and cooperation mechanism is further empowered by our DMS system, which is designed to help us efficiently manage the collaborative relationships with our distributors. See “— Information Technology.”

We have established robust mutual trust and long-term cooperation with our distributors. We provide support to our distributors in brand building, product sales, sales channel development, market intelligence and other promotional support to help them enhance their performance. For instance, we encourage our sales team to visit distributors every week to assist in product display arrangement and sales order maintenance. Distributors are also invited to actively participate in our promotional and marketing events.

Our criteria for selecting potential distributors mainly include qualification and license, reputation, market coverage, industry experience, financial condition, warehousing capabilities, staffing, management capabilities and ability to penetrate retail points of sale. Our sales team regularly visits our distributors and reviews their performance to maintain efficient operation of our distributorship system. Our sales team also evaluates distributors based on a number of criteria, which mainly include their sales performance, inventory level, aged inventory management, balanced pickup execution, coordination of promotional activities and cooperation in distribution network development and expansion.

In addition, we have a series of management policies to manage our distributors:

- *Safety stock management.* We require our distributors to maintain a safety level of inventory for relevant products in order to supply to their customers, to ensure stable product supply and effectively respond to emergency situations, such as natural disasters. We provide our DMS system to our distributors to record inventory level and other relevant information, and maintain regular communication with our distributors.
- *Balanced pickup management.* To maintain stable product supply and reduce market speculation, we require distributors to balance their pickup volume each month according to a specified ratio for products they have purchased.
- *Price discount.* We may give our distributors certain price discounts if they proactively participate in our sales promotion events.

We believe that our standard agreements as well as distributor management policies enable us to sufficiently incentivize the distributors to actively market and sell our products and provide us with sufficient control over the distribution network.

BUSINESS

Movements of Distributors

The following table sets forth the total number of distributors and their movements for the periods indicated:

| | Year ended December 31, | | |
|--|-------------------------|-------|-------|
| | 2021 | 2022 | 2023 |
| Number of distributors at the beginning of the period | 1,114 | 1,086 | 1,060 |
| Number of newly added distributors for the period ⁽¹⁾ | 109 | 155 | 173 |
| Number of terminated distributors for the period ⁽²⁾ | 137 | 181 | 165 |
| Number of distributors at the end of the period | 1,086 | 1,060 | 1,068 |

Notes:

- (1) Newly added distributors refer to distributors who entered into a distribution agreement with us and/or created new accounts in our system during a particular period.
- (2) Terminated distributors refer to distributors that no longer enter into a distribution agreement with us and/or closed their accounts in our system during a particular period.

During the Track Record Period, we actively pursued an optimal distributor management approach that aligns seamlessly with our business strategy. We primarily commence business relationships with new distributors due to routine replacement and market coverage expansions. We commenced business relationships with 109, 155 and 173 distributors in 2021, 2022 and 2023, respectively. We terminate business relationship with distributors primarily in relation to unsatisfactory sales performance, failure to follow our distributor management policies or based on requests from distributors due to their change of operation or other own reasons. We terminated business relationships with 137, 181 and 165 distributors in 2021, 2022 and 2023, respectively. The number of distributors at the end of each year during the Track Record Period remained relatively stable.

During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with these terminated distributors. For distributors that have terminated their business relationship with us, if they still have remaining inventory, we will not accept their product return (except for quality issues) as stipulated in the distribution agreement; instead, we usually coordinate with other distributors to take over their remaining inventory, if any.

BUSINESS

Independence Analysis

We formulate and implement policies to prevent existing employees from working for or owning equity in any of our distributors. In addition, our internal control policy ensures equal treatment of our distributors. To the best of our knowledge, as of the Latest Practicable Date, all of our distributors were Independent Third Parties; and during the Track Record Period, there was no employment, financing or family relationship between our distributors and us, save that a *de minimis* number of our distributors or their respective beneficial owners (as the case may be) are our former employees, and the revenue generated therefrom contributed to less than 0.5% of our total revenue during each period of the Track Record Period. We implement the same management policies across all of our distributors, and the pricing of our transactions with such distributors is based on the same set of factors applicable to our transactions with other distributors.

Sub-Distributors

In order to better penetrate local markets, we permit our distributors to engage sub-distributors to help them market and sell our packaged drinking water products and beverage products. We have selectively entered into tripartite agreements with the distributors and their respective sub-distributors. As of the Latest Practicable Date, we entered into tripartite agreements with over 2,800 sub-distributors. We plan to strengthen our communication with such sub-distributors to obtain market intelligence regarding the local markets. Our in-house sales team members may visit such sub-distributors and their retail points of sale from time to time, and provide support and guidance to them. The salient terms of our standard tripartite agreement used during the Track Record Period are set out below:

- *Duration.* The duration of the tripartite agreements is typically six months.
- *Product supply.* Sub-distributors procure our products from our distributors, rather than us, based on separate arrangements entered between sub-distributors and our distributors.
- *Sales and performance target.* According to our overall sales incentive policies, distributors determine the relevant incentive amount for sub-distributors by conducting evaluation and inspection on the sales and performance of sub-distributors. Distributors are also responsible to settle the sales incentives with sub-distributors.

BUSINESS

- *Pricing policy.* The tripartite agreements generally specify: (i) prices at which sub-distributors order products from distributors; and (ii) recommended retail prices.
- *Payment.* Our sub-distributors typically make payments to the relevant distributors before the delivery of products.
- *Inventory.* Sub-distributors are required to keep a reasonable inventory level of our products in accordance with our guidelines to avoid stock shortage.
- *Operation support.* We provide operational support to our sub-distributors, including marketing and promotion.
- *Operation requirements.* Sub-distributors shall comply with our management policies. Our sub-distributors are required to deliver our products to end-customers within 48 hours after our sub-distributors receive the orders.
- *Termination.* We have the right to terminate the contract with sub-distributors who breach the tripartite agreement. We list several conditions that may result in breach of contract in the tripartite agreement, such as product safety issues and occasions where sub-distributors fail to meet our warehousing and logistics standards.

Low Channel Stuffing Risk

We believe that our sales correspond to actual consumer demand and therefore our products are at low risk of channel stuffing in our distribution network, because: (i) we closely monitor the inventory level of distributors and sub-distributors who we enter into tripartite agreements with and require them to report to us regularly on, and to maintain a reasonable level of, their inventory. See “— Inventory Management”; (ii) we generally require full payment before delivering products to distributors and do not set minimum purchase requirements. We believe such arrangements encourage distributors order products based on actual sales forecasts; and (iii) we generally do not allow returns of products sold to distributors except for quality issues. In addition, our sales team is required to visit our distributors to understand their inventory levels and discuss with them their sales strategy and expected market demands on a regular basis. Our sales team is also required to regularly review the sales performance and inventory level of our distributors and sub-distributors who we enter into tripartite agreements with. Our sales team also from time to time visits retail points of sale to review the sales performance and inventory levels thereof. We seek to optimize our sales strategy on an ongoing basis to adapt to changing market dynamics based on market intelligence collected by our sales team. Based on the relevant sales strategies, we adjust our distributor management policies accordingly.

BUSINESS

Direct Sales

Our direct sales customers primarily consist of KA clients including well-known national supermarkets, chain convenience stores, restaurants, airlines, gas stations and e-commerce platforms. We believe that our direct sales helps us consolidate and improve our market shares and penetrate local markets more effectively.

Our direct sales are usually conducted under sales and purchase arrangements. We have a buyer-seller relationship with our direct sales customers and we recognize revenue when they accept our products upon delivery. We enter into consignment arrangements only with a small number of our direct sales customers. Such two commercial arrangements are largely similar, except for revenue recognition. Under consignment arrangements, we recognize revenue when end-consumers complete purchasing products from the direct sales customers.

As of December 31, 2023, we sold our products to over 150 KA clients and on seven e-commerce platforms. In 2021, 2022 and 2023, revenue generated from our direct sales customers amounted to RMB1,376.7 million, RMB1,524.6 million and RMB1,729.3 million, respectively, accounting for approximately 12.1%, 12.1% and 12.8%, respectively, of our total revenue in the same periods. During the Track Record Period, we had consignment arrangements with two direct sales customers. In 2021, 2022 and 2023, the revenue generated from the direct sales customers under consignment arrangements was accounted for 0.0%, 0.5% and 0.6% of our total revenue. As of December 31, 2023, the inventory of direct sales customers under consignment arrangements was accounted for 0.3% of our total inventory.

During the Track Record Period, the salient terms of our direct sales agreements typically include:

- *Duration.* The duration of the direct sales agreements is generally over one year.
- *Minimum purchase requirements.* We generally do not set any minimum purchase requirements.
- *Pricing policy.* We sell our products to direct sales customers at price levels that have been mutually agreed by us and the direct sales customers.
- *Payment.* We generally deliver our products to our direct sales customers before they make payments to us, and also require certain of direct sales clients to make payments before the delivery of products. We generally grant a credit period to our direct sales customers of no longer than 90 days.

BUSINESS

- *Logistics.* We are responsible for arranging delivery of our products to locations agreed between us and our direct sales customers.
- *Return or exchange arrangements.* We may accept return or exchange of the products from our direct sale customers according to the agreements for reasons such as product quality issues or damages occurred in the logistics process.
- *Termination.* Either party has the right to terminate the contract with the other party, if the other party breaches the agreement and fails to rectify such breach within a reasonable period of time.

Coordination Between Sales Channels

We normally examine from an overall development perspective to manage our operation and optimize our resource investments in different channels and platforms. Any sales carried out by distributors outside their designated geographic areas, or any sales across different sales channels without our prior authorization, will be deemed as cannibalization. To minimize cannibalization among the distributors and sales channels, we typically adopt the following measures:

- We normally designate distribution area for our distributors;
- We employ a system of box code labels for products from the same batch to prevent cannibalization. The box code labels include identifiers for the production factory and the dates of production. This system allows us to distinguish products and enhances traceability, particularly in instances where cross-regional and cross-channel sales activities are found;
- We manage the pricing policy and provide suggested retail prices for products across different sales channels;

BUSINESS

- We require our distributors, sub-distributors who we enter into tripartite agreements with and employees to report cannibalization they have identified; and
- We have a team responsible for supervising and monitoring violations by distributors or sub-distributors who we enter into tripartite agreements with, such as cannibalization.

CUSTOMERS

During the Track Record Period, our customers are distributors, who purchase and distribute our products, and direct sales customers. Except for Customer E who was our direct sales customer, all of our five largest customers in 2021, 2022 and 2023 were our distributors. See “— Our Sales Network.” Revenue generated from our five largest customers for 2021, 2022 and 2023 accounted for 20.7%, 18.2% and 17.6%, respectively, of our total revenues during those respective periods. Revenue generated from our largest customer for 2021, 2022 and 2023 accounted for 8.4%, 7.3% and 7.1%, respectively, of our total revenues during those respective periods.

The following table sets forth the details of our five largest customers during the Track Record Period:

Year ended December 31, 2021

| Customer | Principal Business | Products/Services Purchased by the Customer | Sales Amount (RMB'000) | % of Total Revenue % | Year of Commencement of Business Relationship With Us |
|---------------|---|---|-------------------------------|--------------------------------|---|
| 1. Company T | Production and sales of drinking water, beverages, PET bottles and PET preforms | Water and beverages | 948,797 | 8.4 | 2013 |
| 2. Customer B | Sales of general merchandise and logistics service | Water and beverages | 416,868 | 3.7 | 2014 |
| 3. Customer C | Wholesale of food, beverages and tobacco products | Water and beverages | 405,049 | 3.6 | 2014 |
| 4. Customer D | Sales of pre-packaged food products | Water and beverages | 316,363 | 2.8 | 2016 |
| 5. Customer E | Food business operations | Water and beverages | 256,741 | 2.3 | 2018 |
| Total | | | 2,343,818 | 20.7 | |

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Year ended December 31, 2022

| Customer | Principal Business | Products/Services Purchased by the Customer | Sales Amount <i>(RMB'000)</i> | % of Total Revenue <i>%</i> | Year of Commencement of Business Relationship With Us |
|---------------|---|---|----------------------------------|--------------------------------|---|
| 1. Company T | Production and sales of drinking water, beverages, PET bottles and PET preforms | Water and beverages | 922,660 | 7.3 | 2013 |
| 2. Customer C | Wholesale of food, beverages and tobacco products | Water and beverages | 383,303 | 3.0 | 2014 |
| 3. Customer D | Sales of pre-packaged food products | Water and beverages | 370,489 | 2.9 | 2016 |
| 4. Customer B | Sales of general merchandise and logistics service | Water and beverages | 324,863 | 2.6 | 2014 |
| 5. Customer F | Wholesale and retail of pre-packaged food products | Water and beverages | 294,800 | 2.3 | 2017 |
| Total | | | 2,296,116 | 18.2 | |

Year ended December 31, 2023

| Customer | Principal Business | Products/Services Purchased by the Customer | Sales Amount <i>(RMB'000)</i> | % of Total Revenue <i>%</i> | Year of Commencement of Business Relationship With Us |
|---------------|---|---|----------------------------------|--------------------------------|---|
| 1. Company T | Production and sales of drinking water, beverages, PET bottles and PET preforms | Water and beverages | 957,460 | 7.1 | 2013 |
| 2. Customer C | Wholesale of food, beverages and tobacco products | Water and beverages | 373,907 | 2.8 | 2014 |
| 3. Customer B | Sales of general merchandise and logistics service | Water and beverages | 363,031 | 2.7 | 2014 |
| 4. Customer D | Sales of pre-packaged food products | Water and beverages | 358,418 | 2.7 | 2016 |
| 5. Customer F | Wholesale and retail of pre-packaged food products | Water and beverages | 331,396 | 2.5 | 2017 |
| Total | | | 2,384,212 | 17.6 | |

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or, to the knowledge of our Directors, had owned more than 5% of our issued share capital) had any interest in any of our five largest customers.

BUSINESS

Third-Party Payment Arrangements

Background and Implications Relating to Third-Party Payment Arrangements

During the Track Record Period, a majority of our customers (individually or collectively, the “**Relevant Customer(s)**”) settled payments with us through accounts that do not belong to the contractual parties under the corresponding sales and purchase agreements (the “**Third-Party Payment Arrangements**”). We typically required the Relevant Customers and their designated third-party payors to provide us with written confirmation of delegation that the designated third-party payors are authorized by the Relevant Customers to settle payments with us (the “**Written Delegation**”). In 2021, 2022 and 2023, the aggregate amount of third-party payments accounted for approximately half of the total payments we received from all customers. No individual Relevant Customer had made material contribution to our revenue during the Track Record Period.

The Relevant Customers during the Track Record Period primarily consisted of customers in the form of sole proprietorships or small and medium-sized enterprises. To the best of our knowledge, the designated third-party payors primarily consisted of persons affiliated with the Relevant Customers, such as legal representatives, business operators, shareholders, spouses, other relatives, employees, or affiliated entities of the Relevant Customers, or, in few cases, financial institutions which made payments to us pursuant to the financing arrangements with the Relevant Customers. According to the CIC Report, it is a relatively common commercial practice for businesses in the RTD soft beverage industry in China to settle their payments through third-party payors to their suppliers or vendors for purchases of beverage products for convenience and flexibility. Based on the representations of the Relevant Customers and to the best knowledge of our Directors, the Relevant Customers mainly utilized Third-Party Payment Arrangements due to internal operational and financial management practice or for convenience.

During the Track Record Period, we implemented internal control measures to monitor and manage the Third-Party Payment Arrangements. We required the Relevant Customers to provide us with the relevant information including, among other things, the identity of the involved designated third-party payors and their account information. We typically required the Relevant Customers and the third-party payors to use our standard form of delegation letter, which specifies that: (i) the designated third-party payor is authorized by the Relevant Customer and thus is allowed to settle payments with us on behalf of the Relevant Customer; (ii) payment from the designated third-party payor shall be deemed as payments from the Relevant Customer; and (iii) the Relevant Customer and the designated third-party payor undertake that any disputes or legal liabilities associated with or arising from the Third-Party Payment Arrangements shall be borne by the Relevant Customer instead of our Group and shall not concern our Group and be resolved by the Relevant Customer and the designated third-party payor directly. We also had know-your-customer procedures in place for onboarding our customers. Furthermore, in order to ensure the Third-Party Payment Arrangements are for *bona fide* transactions, our financial staff were only allowed to recognize payments from designated third-party payors of the Relevant Customers and our business staff were only allowed to ship our products to the Relevant Customers on the condition that the information of the designated third-party payors matches that in the corresponding Written Delegation. Furthermore, we also met with our customers periodically to understand the nature of their

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businesses, business models and ownerships. Based on the above, our Directors believe that the Third-Party Payment Arrangements during the Track Record Period, to the best of our knowledge, have been recorded completely and accurately in our accounting books and records in all material respects.

During the Track Record Period and up to the Latest Practicable Date, we did not provide any discount, commission, rebate or other benefits to any of the Relevant Customers or the designated third-party payors to facilitate or incentivize the Third-Party Payment Arrangements. To the best of our knowledge, during the Track Record Period, the relevant payments were based on *bona fide* underlying transactions and valid contractual relationships. The pricing and payment terms we provided to the Relevant Customers were in line with those customers not involved in the Third-Party Payment Arrangements. To the best of our knowledge, we were not the subject of any investigations, enquiries, penalties, or surcharges as a result of our involvement in the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date. In addition, we had not encountered any refund requests, actual or pending dispute or disagreement due to Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date.

As advised by our PRC Legal Advisor, in light of the above, (i) our Third-Party Payment Arrangements during the Track Record Period and as of the Latest Practicable Date were not in breach or contravention of mandatory requirements of applicable laws or regulations in China; and (ii) as to Relevant Customers and their designated third-party payors who provided duly executed Written Delegation mentioned above, the risks were low for our Group to be found obligated to return funds to Relevant Customers or their designated third-party payors under the Third-Party Payment Arrangements.

Based on the foregoing, our Directors confirm that, to the best of their knowledge and based on the know-your-customer procedures and internal control measures implemented, (i) during the Track Record Period, the relevant payments were based on *bona fide* underlying transactions and valid contractual relationships, and (ii) there were no instances of commercial bribery, money laundering, tax evasion, or existing or potential disputes with our Group related to the Third-Party Payment Arrangements. Based on the above, and having considered that (i) our Group had not been subject to any penalties, sanctions, or investigations related to money laundering due to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date; and (ii) financial institutions that processed settlements under the Third-Party Payment Arrangements are required to conduct anti-money laundering checks on all their clients according to the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》), significantly reducing the associated risks, our PRC Legal Advisor is of the view that the risk of the Third-Party Payment Arrangements being deemed as constituting the crime of money laundering under Article 191 of the Criminal Law of the PRC (《中華人民共和國刑法》) for the purpose of covering up or concealing the source and nature of proceeds or gains is low.

During the Track Record Period, to the best knowledge of our Directors and based on publicly available information, save for certain members of CR Group which made payments through other designated group members, all other Relevant Customers and the designated third-party payors who settled payments under the Third-Party Payment Arrangements were Independent Third Parties.

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Since early 2024, we have begun to rectify the Third-Party Payment Arrangements and require our customers to enter into our amended sales and purchase agreements. Under the amended sales and purchase agreements, we only allow payments (i) directly from the accounts of the customers or (ii) if not directly from the accounts of the customers, through the accounts of: (a) in the case of sole proprietorships, the actual controllers (or their spouses) of such sole proprietorships; or (b) in the case of corporate entities, their subsidiaries within the same corporate group or, their legal representatives and/or actual controllers pursuant to financing arrangements with commercial banks or authorized financial institutions for settlement with our Group. Such parties allowed to make payments to us are required to enter into the same sales and purchase agreements together with the respective customers and become contractual parties with us. Our amended sales and purchase agreements specify, among other things, the detailed information and payment obligation of the respective contractual parties. We had rectified a majority of the Third-Party Payment Arrangements as of the Latest Practicable Date. As advised by our PRC Legal Advisor, having duly executed the amended sales and purchase agreements and assumed the payment obligations thereunder, the payors who are not our customers have also become contractually obligated with respect to the payments they made under the amended sales and purchase agreements and the risk for our Group to be found obligated to return such payments is remote. Our Directors consider that the rectification of the Third-Party Payment Arrangements did not have, nor will have, any material adverse effect on the Group.

Enhanced Internal Control Measures of Third-Party Payment Arrangements

To safeguard our interest against risks associated with Third-Party Payment Arrangements, since early 2024, we have systematically and significantly enhanced and implemented various internal control measures in order to rectify Third-Party Payment Arrangements. Our efforts to rectify the Third-Party Payment Arrangements include, among other things:

- (i) we initiated the implementation of Third-Party Payment Arrangements rectification measures and informed our employees regarding the enhanced internal control measures;
- (ii) we amended our standard forms of sales and purchase agreements and required all parties who are allowed to settle payments with us to enter into the amended sales and purchase agreements as contractual parties, which specify, among other things, the detailed information and payment obligation of such parties, as detailed above; and
- (iii) to prevent fraud or money laundering activities, we further strengthened our know-your-customer procedures to gain a comprehensive understanding of our customers, including verification of payment details against our records to confirm payments are made in accordance with the agreements. In addition, our sales team will hold regular meetings with customers to gain insights into their business operations, thereby reducing the risk of involvement in fraudulent or money laundering activities.

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Based on the review of the implementation of the abovementioned measures, our Directors are of the view that such measures are effective and adequate in preventing risks associated with Third-party Payment Arrangements, and our Directors will oversee the effectiveness of these measures in the future.

MARKETING AND BRANDING

With “safe, healthy and wonderful life” as our brand spirit and “healthy, safe, professional” as our brand image, we are committed to providing our consumers of high-quality RTD beverage products. We adopt a multifaceted marketing strategy designed to connect with our audience and promote our brand in meaningful and impactful ways such as sports marketing, variety show marketing and in-transit marketing initiatives, enabling us to maintain a strong presence in the daily lives of our consumers. Our diverse marketing strategy allows us to effectively communicate our brand values, engage with our audience on multiple platforms and drive business growth.

We have a professional and experienced marketing team. Our marketing department at our headquarters is in charge of marketing strategy, brand operation and marketing channel development. We have also established sales and marketing teams in each of our sales regions to execute our marketing strategies.

Sports Marketing

We have formed our marketing strategy highlighted by sports marketing, given the overlaps and connections between our product consumption scenarios and sports events. We have been actively promoting sports for all and health for all through sponsoring TEAM CHINA, premier sports events, marathon events, other general public sports events and collaborating with national sports channels (such as CCTV-5). We have been the partner of TEAM CHINA since 2019, providing TEAM CHINA athletes with packaged drinking water, sports beverage and other beverage products. C'estbon packaged drinking water has also become the “Official Drinking Water of TEAM CHINA.” With our excellent production technique, production management and product quality, our products have successfully passed rounds of review and screening, met the strict drinking requirements of professional athletes and helped TEAM CHINA athletes maintain the best competitive condition. We supported TEAM CHINA in a series of key sports events, such as the Tokyo 2020 Summer Olympics and the Beijing 2022 Winter Olympics, to promote our brands and products. We continue to provide professional and healthy packaged drinking water and beverage products for more than 70 national sports teams, from daily preparation and training to major world and national sports events.

We have also formed partnerships with various esteemed international and domestic professional sports events. We have sponsored Le Tour de France and the 7th World Military Games. We have also provided hydration support for a series of high-profile sporting leagues and events. These include the Chinese Football Association Super League (CSL), Women’s Chinese Basketball Association, Chinese Men’s 3x3 Basketball Super League, the Xiamen Station of the World Athletics Diamond League, and the Division IA of the Woman’s Ice Hockey World Championships, among others. Notably, we became the title sponsor of the CSL, the premier professional football league in China, in February 2024. In 2023, the CSL hosted 240 matches, attracting a cumulative audience of approximately 380 million person-times across on-site spectatorship, television broadcasts and online streaming. The long cycle of the seasons and the broad coverage of the different leagues and divisions of the Chinese Football Association are also beneficial for our market awareness across China.

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We have been providing packaged drinking water and beverage products for a range of marathon competitions. According to the CIC Report, China hosted a total of 622 marathon events (including half marathons) in 2023, with approximately 38 million participation and on-site spectatorship. We are a pioneer among packaged drinking water brands in China that cooperate with marathon events, and we have sponsored the highest number of Grade-A marathon events in China, according to the CIC Report. In 2023, Olympic champion Eliud Kipchoge became our marathon promotion ambassador. Since 2013, we have sponsored over 1,000 running events in over 45 cities. Through our close partnerships with marathon events and Mr. Kipchoge, we have established a robust connection between our brands and sporting events, thus helping our packaged drinking water and beverage products reach a broader consumer base.

We also actively collaborate with a range of general public sports events in support of the implementation of the “Healthy China 2030 Plan.” For six consecutive sessions, we have held the prestigious position of a diamond-level partner of the “Road of Xuanzang” Ultra Gobi, offering support to participants as they navigate their way through the desert. In collaboration with universities nationwide, we co-organized the “Chasing Dream Together” themed campus running event, encouraging students to actively participate in a variety of activities, including a 5km campus run, tire challenge, rowing machine challenge, bowling challenge, and volleyball challenge. In 2023, we became a philanthropic partner of the Village BA in order to promote the development of rural basketball. With competitions covering our major sales regions, collaboration with Village BA allows us to comprehensively present our products and brand image.

Variety Show Marketing and In-Transit Marketing

We also aim to create new potential for our brands by attracting a broader range of consumers through our diversified marketing methods, such as variety shows. For example, we sponsored “Let’s Fall in Love, Season 3” (“我們戀愛吧第三季”) and became the exclusive title sponsors of variety shows including “Top Funny Comedian — Old Friends” (“歡樂喜劇人老友記”) and the second season of “Sing or Spin” (“嗨唱轉起來”). We also established product collaboration with the second season of “Dance Smash” (“舞蹈風暴”) and CCTV 2020 Mid-Autumn Festival Gala (“2020年央視中秋晚會”). In addition, we have cooperated with CCTV variety show “Hello Life” (“你好生活”) for three consecutive years. A notable instance was when the “Hello Life” team went to the mountainous area of Guizhou to teach at a local school, we, together with the show, made a contribution by donating a library to the same school under our “Hundred Libraries Plan.” We also carry out in-transit marketing, such as publicity and advertisements at airports and on buses, subways, high-speed rail, elevators and large outdoor billboards to comprehensively cover in-transit consumers. In addition, we also place advertisements in media outlets, including national and regional television networks. In 2023, we strengthened our in-transit marketing by increasing the publicity and advertisement frequencies on buses, at airports, in elevators and other places with heavy traffic or during rush hours, leading to a stronger exposure of our products.

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In the promotion of our beverage products, we focus on integrated marketing combining both online and offline marketing. For instance, for our Mi Shui Series products, in 2021, in order to promote our new product Orange Mi Shui, we launched a sales promotion event “one code for one bottle” during the peak sales seasons in the second and third quarters. The consumers can scan the codes on the caps of the Mi Shui Series bottles to redeem potential rewards. This activity allowed us to establish both online and offline connections with the consumers. As of the end of the event, 14.4% of the Mi Shui Series products were scanned by the consumers, which is much higher than the average level of similar events in the industry, according to the CIC Report. In terms of online marketing, in order to quickly enhance the brand awareness of our beverage brands Holiday Series and Mi Shui Series, we sponsored two romance-themed variety shows, the first and second season of “Twinkle Love” (“怦然心動20歲”) and “Hello Summer” (“相遇的夏天”), and both achieved excellent rating results, with social media topics about the second season of “Twinkle Love” receiving over 7.3 billion views and “Hello Summer” amassing over 0.9 billion online video views since its debut. In addition, in order to promote the brand awareness of our beverage brand Zhi Ben Qing Run, we cooperated with the poetic dance drama “The Painting Journey” (“只此青綠”) and launched a number of marketing activities. By implementing our efficient marketing strategies covering all sales channels, we have five brands of beverage products, including Zhi Ben Qing Run, Mi Shui Series, and Holiday Series, among others, which achieved a retail sales value exceeding RMB100 million in 2023, according to the CIC Report.

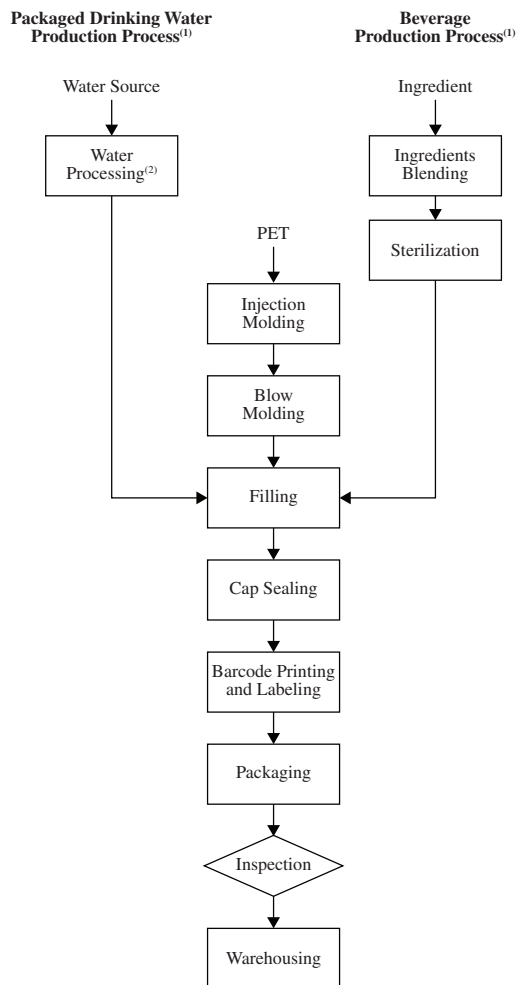
OUR PRODUCTION

As of December 31, 2023, we had 12 self-owned factories in operation and 34 Cooperative Manufacturing Partners in China, producing packaged drinking water and beverage products. Combining the production of our self-owned factories in operation and Cooperative Manufacturing Partners as a whole, our annual standard production capacity of packaged drinking water and beverage products was 18.8 million tons as of December 31, 2023, while our total annual actual production volume of packaged drinking water and beverage products combined was 13.5 million tons in 2023. We have automated, advanced and highly efficient production capacity, in seamless alignment with our nationwide sales network. As of December 31, 2023, we have 47 self-owned production lines and 81 production lines owned by our Cooperative Manufacturing Partners, many of which are equipped with integrated high-speed production lines imported from Europe. We have also introduced world-leading aseptic production lines to produce our beverage products.

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Production Process

The following diagram sets forth the key steps of our production process for our main packaged drinking water products and beverage products:



Notes:

- (1) We use different production lines to produce packaged drinking water products and beverage products.
- (2) We adopt different procedures for purified, natural mineral and other drinking water production during the water processing stage. Purified drinking water goes through the deep-purification stage.

For packaged drinking water products, we start with water processing, while for beverage products, we begin by blending the ingredients and subsequently sterilizing the concoction. Following these initial steps, the majority of our products undergo a series of procedures, including injection molding, blow molding, filling, cap sealing, labeling and packaging.

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Production Factories

Our production factories, including our self-owned factories and factories of our Cooperative Manufacturing Partners, are strategically located to cover the most densely populated and affluent provinces in China. The locations of our factories enable us to cover demand across the entire nation and adapt quickly to consumer needs. When deciding the locations of our factories, we strategically choose to build factories in relatively mature regional markets or areas with high-quality or abundant water resources, so we can concentrate resources to meet the arising market demands. As the market size continues to grow, we also place more importance on factors such as product portfolio diversification needs, transportation supply radius and regional development strategies. We generally follow the “1+N” model to position our factories, which typically includes the positioning of several satellite factories (including the construction of our self-owned factories and the selection of factories from our Cooperative Manufacturing Partners) in the vicinity of our large factory in each region, thereby optimizing overall transportation and supply efficiency and achieving effective cost control.

As of December 31, 2021, 2022 and 2023, our annual production capacity was 16.9 million tons, 17.6 million tons and 18.8 million tons, respectively, among which the standard annual production capacity of our self-owned factories in operation amounted to 5.4 million tons, 5.7 million tons and 6.7 million tons, respectively, while the available annual production capacity from our Cooperative Manufacturing Partners amounted to 11.5 million tons, 12.0 million tons and 12.0 million tons, respectively.

The following table sets forth the breakdown of the actual production volume by producer and product category during the Track Record Period:

| | Year ended December 31, | | |
|---|----------------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | <i>(Tons in thousands)</i> | | |
| Packaged drinking water products | | | |
| Attributed to our self-owned factories | | | |
| in operation | 3,721 | 3,894 | 4,263 |
| Attributed to our Cooperative | | | |
| Manufacturing Partners | 8,180 | 8,963 | 9,019 |
| | 11,901 | 12,858 | 13,282 |
| Beverage products | | | |
| Attributed to our self-owned factories | | | |
| in operation | 122 | 168 | 216 |
| Attributed to our Cooperative | | | |
| Manufacturing Partners | 21 | 26 | 51 |
| | 143 | 194 | 267 |
| Total | 12,044 | 13,052 | 13,549 |

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Our Self-Owned Factories

The following table sets forth the details of the standard production capacity, production volume and utilization rate of our self-owned factories in operation by product category for the periods indicated:

| | Year ended December 31, | | | | | | | | |
|---|---|---|---------------------------------|------------------------------|--------------------------|------------------|------------------------------|--------------------------|------------------|
| | 2021 | | | 2022 | | | 2023 | | |
| | Standard Production Capacity ⁽¹⁾ | Actual Production Volume ⁽²⁾ | Utilization Rate ⁽³⁾ | Standard Production Capacity | Actual Production Volume | Utilization Rate | Standard Production Capacity | Actual Production Volume | Utilization Rate |
| | | | (%) | | | (%) | | | (%) |
| | <i>(Tons in thousands, except percentage)</i> | | | | | | | | |
| Packaged drinking water products ⁽⁴⁾ | 5,213.3 | 3,721.0 | 71.4 | 5,407.4 | 3,894.5 | 72.0 | 6,379.7 | 4,262.7 | 66.8 |
| Beverage products ⁽⁵⁾ | 230.1 | 122.4 | 53.2 | 279.3 | 168.2 | 60.2 | 369.2 | 216.2 | 58.6 |
| Total | 5,443.4 | 3,843.4 | 70.6 | 5,686.7 | 4,062.7 | 71.4 | 6,749.0 | 4,478.9 | 66.4 |

Notes:

- (1) The standard production capacity of the year or period is calculated based on the following assumptions: (i) all production lines are functioning at their full capacity; (ii) our production facilities operate 23 hours per day for our products; and (iii) we operate 333 working days per year. According to the CIC Report, our capacity calculation method, including the assumptions used therein, is generally in line with the standard of the relevant industry in China.
- (2) The actual production volume during the year is the total volume of the products manufactured during that year.
- (3) The utilization rate during the year equals to the actual production volume divided by the standard production capacity during the same year.
- (4) The standard production capacity for our packaged drinking water products increased during the Track Record Period, primarily due to the introduction of new factories and production lines. The actual production volume of our packaged drinking water products increased during the Track Record Period, primarily due to the sales increase of our packaged drinking water products.
- (5) The standard production capacity for beverage products increased during the Track Record Period, primarily due to the introduction of new factories and production lines. The actual production volume of our beverage products increased during the Track Record Period, primarily due to the sales increase of our beverage products.

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The following table sets forth the details of the standard production capacity, production volume and utilization rate of our self-owned factories in operation for the periods indicated:

| Production Factory | Year ended December 31, | | | | | | | | | | | |
|----------------------------------|---|--------------------------------|---------------------|-------------|------------------------------------|--------------------------------|---------------------|---------------------|------------------------------------|--------------------------------|---------------------|---------------------|
| | 2021 | | | | 2022 | | | | 2023 | | | |
| | Standard Production Capacity | Actual Production Volume | Utilization Rate | (%) | Standard Production Capacity | Actual Production Volume | Utilization Rate | (%) | Standard Production Capacity | Actual Production Volume | Utilization Rate | (%) |
| | <i>(Tons in thousands, except percentage)</i> | | | | | | | | | | | |
| Zhaoqing Factory ⁽¹⁾ | | | | | | | | | | | | |
| – Packaged drinking water | 399.2 | 372.4 | 93.3 | 93.3 | 399.2 | 373.0 | 93.4 | 93.4 | 336.6 ⁽²⁾ | 325.3 | 96.6 | 96.6 |
| – Beverage | 114.8 | 58.2 | 50.7 | 50.7 | 164.0 | 93.7 | 57.2 | 57.2 | 253.9 ⁽³⁾ | 144.1 | 56.7 | 56.7 |
| Shanghai Factory ⁽¹⁾ | | | | | | | | | | | | |
| – Packaged drinking water | 157.8 | 93.5 | 59.2 | 59.2 | 157.8 | 73.4 | 46.5 ⁽⁴⁾ | 46.5 ⁽⁴⁾ | 157.8 | 93.7 | 59.4 | 59.4 |
| – Beverage | 115.3 | 64.2 | 55.7 | 55.7 | 115.3 | 74.5 | 64.6 | 64.6 | 115.3 | 72.1 | 62.5 | 62.5 |
| Jialin Mountain Factory | 78.9 | 47.5 | 60.2 | 60.2 | 78.9 | 42.7 | 54.1 | 54.1 | 78.9 | 16.6 | 21.0 ⁽⁵⁾ | 21.0 ⁽⁵⁾ |
| Yonglong Factory | 161.2 | 88.1 | 54.6 | 54.6 | 161.2 | 82.7 | 51.3 | 51.3 | 161.2 | 77.4 | 48.0 | 48.0 |
| Shenzhen Factory | 552.4 | 424.4 | 76.8 | 76.8 | 590.1 | 366.5 | 62.1 ⁽⁴⁾ | 62.1 ⁽⁴⁾ | 581.4 | 388.5 | 66.8 | 66.8 |
| Jiangmen Factory | 882.5 | 556.6 | 63.1 | 63.1 | 882.5 | 579.3 | 65.6 | 65.6 | 888.2 | 519.7 ⁽⁶⁾ | 58.5 ⁽⁶⁾ | 58.5 ⁽⁶⁾ |
| Changsha Factory | 819.1 | 632.3 | 77.2 | 77.2 | 819.1 | 724.6 | 88.5 | 88.5 | 819.1 | 655.5 ⁽⁶⁾ | 80.0 ⁽⁶⁾ | 80.0 ⁽⁶⁾ |
| Lu’an Factory | 625.2 | 379.5 | 60.7 | 60.7 | 781.6 | 494.7 | 63.3 | 63.3 | 1,021.6 ⁽⁷⁾ | 640.8 ⁽⁷⁾ | 62.7 | 62.7 |
| Nanning Factory | 563.1 | 429.9 | 76.3 | 76.3 | 563.1 | 429.3 | 76.2 | 76.2 | 645.6 ⁽⁸⁾ | 436.0 | 67.5 | 67.5 |
| Chengdu Factory | 973.7 | 696.6 | 71.5 | 71.5 | 973.7 | 728.2 | 74.8 | 74.8 | 973.7 | 809.2 | 83.1 | 83.1 |
| Yixing Factory ⁽⁹⁾ | – | – | – | – | – | – | – | – | 519.1 | 252.3 | 48.6 | 48.6 |
| Biyouxuan Factory ⁽⁹⁾ | – | – | – | – | – | – | – | – | 196.4 | 47.6 | 24.2 | 24.2 |
| Total | 5,443.4 | 3,843.4 | 70.6 | 70.6 | 5,686.7 | 4,062.7 | 71.4 | 71.4 | 6,749.0 | 4,478.9 | 66.4 | 66.4 |

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Notes:

- (1) Zhaoqing Factory and Shanghai Factory produce both packaged drinking water products and beverage products while the remaining factories only produce packaged drinking water products.
- (2) The standard production capacity of the packaged drinking water production lines of Zhaoqing Factory in 2023 decreased, primarily due to adjustments in the products manufactured for certain production lines and the resulting differences in line production speeds.
- (3) The standard production capacity of the beverage production lines of Zhaoqing Factory in 2023 increased, primarily due to the operation of a new production line since July 2022.
- (4) The utilization rate and the actual production volume of the packaged drinking water production lines of Shanghai Factory and Shenzhen Factory in 2022 decreased, primarily because we adjusted our production volume based on sales and inventory levels.
- (5) The utilization rate and the actual production volume of Jialin Mountain Factory in 2023 decreased, primarily due to a production halt on one of the production lines from March to August 2023, which underwent equipment upgrades to transition from purified drinking water production to mineral water production.
- (6) The utilization rate and the actual production volume of our Jiangmen Factory and Changsha Factory each experienced a decrease in 2023, primarily due to equipment maintenance and upgrades in the same period.
- (7) The standard production capacity and actual production volume of Lu'an Factory in 2023 increased, primarily due to the operation of a new production line since July 2022.
- (8) The standard production capacity of Nanning Factory experienced an increase in 2023, primarily due to the operation of new production lines since 2023.
- (9) Some production lines of Yixing Factory and Biyouxuan Factory were put into operation during 2023.

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Our Cooperative Manufacturing Partners

We collaborate with our Cooperative Manufacturing Partners primarily to expand into new regional markets quickly and cost-effectively with less costs and shorter set-up time. When selecting Cooperative Manufacturing Partners, we carefully consider their quality, production capacity, financial condition, reputation and supply cost.

We have generally established exclusive cooperation with our Cooperative Manufacturing Partners for our packaged drinking water production, which facilitates the improvement of our production efficiency. Under the exclusive cooperation, we are generally not required to invest in the construction of production lines or factories for our Cooperative Manufacturing Partners, and our Cooperative Manufacturing Partners can only produce our packaged drinking water products according to our specified technical and quality control standards. For our Cooperative Manufacturing Partners, we require them to have unified management standards for their factories, including factory structure, responsibility allocation, operational standards, supervision and assessment standards. Our Cooperative Manufacturing Partners are also required to have professional production capabilities to support their factories at all levels. Furthermore, we also assess the financial condition of our Cooperative Manufacturing Partners, and require them to have enough working capital, and demonstrate stable liquidity, profitability and growth. We carefully manage and monitor the performance of our Cooperative Manufacturing Partners and require them to comply with our internal guidelines and policies. In the event of any failure by our Cooperative Manufacturing Partners to meet our internal guidelines and policies, we may cease to work with them. We maintain relatively long-term relationships with our Cooperative Manufacturing Partners. As of December 31, 2023, we cooperated with 28 Cooperative Manufacturing Partners for our packaged drinking water production, with an average length of relationship amounting to approximately nine years. For more information on the quality control measures over our Cooperative Manufacturing Partners, see "Quality Control — Production Process Quality Control" and "Quality Control — Finished Products, Logistics and Warehouse Quality Control."

The salient terms of the standard agreements with our representative Cooperative Manufacturing Partners for packaged drinking water products are set forth as below:

- *Duration.* The duration of our standard agreements with Cooperative Manufacturing Partners is generally two to three years.
- *Principal rights and obligations of parties involved.* We specify the product type, unit price, quantity, delivery timeline and other detailed items in each production plan we send to our Cooperative Manufacturing Partners. Our Cooperative Manufacturing Partners are obligated to produce the specified type and quantities of qualified products for storage according to the plans, and arrange for delivery and shipment based on our needs.
- *No minimum purchase.* We adopt a tier pricing system. Typically no minimum purchase is stipulated.

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- *Payment and delivery.* We are responsible for timely payment of the processing fees to our Cooperative Manufacturing Partners, who are responsible for delivering qualified products at our domicile.
- *Exclusivity.* We have an exclusivity clause where our Cooperative Manufacturing Partners for packaged drinking water products are prohibited from producing or storing products that are not part of our product portfolio, without obtaining our prior written approval.
- *Further subcontracting.* Further subcontracting is not allowed without our authorization.
- *Qualified products.* We only accept qualified products at delivery, and unqualified products are handled by our Cooperative Manufacturing Partners for destruction.
- *Termination.* We have the right to notify our Cooperative Manufacturing Partners and terminate the contracts in instances such as their late delivery, non-conforming delivery, unqualified products, complaints or investigations and disclosure of confidential information.

For our beverage production, we collaborate with our Cooperative Manufacturing Partners as a supplement to our own production capacity. As of December 31, 2023, we cooperated with six Cooperative Manufacturing Partners for beverage production. We value the knowledge and skills of our Cooperative Manufacturing Partners and believe that their technical proficiency can contribute to the quality and consistency of our products. We maintain a non-exclusive relationship with our Cooperative Manufacturing Partners for beverage production, employing stringent measures to safeguard our intellectual property and trade secrets. Our cooperation agreements explicitly define each party's responsibilities in protecting these assets. Furthermore, we mandate our Cooperative Manufacturing Partners to implement monitoring facilities and adopt daily management at crucial factory positions. Our on-site quality control staff conduct regular inspections to ensure rigorous oversight of production activities and adherence to our production standards.

Our Production Expansion Plan

We plan to increase the proportion of our self-built production capacity and optimize the partnership models with our Cooperative Manufacturing Partners. As of the Latest Practicable Date, our standard annual production capacity of our self-owned factories in operation amounted to 12.4 million tons. By transitioning to producing more products in our self-owned factories, we expect to further improve our operational efficiency and optimize our cost structure. We also aim to enhance our national production capacity layout by constructing large-scale factories. Furthermore, we plan to introduce injection molding to our factories so as to cover the entire production value chain. As part of our production expansion, we acquired Wuhan Huaxinda Beverage Technology Co., Ltd. (武漢華新達飲品技術有限公司), one of our former Cooperative Manufacturing Partners, in January 2024. This strategic acquisition

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increased the packaged drinking water production capacity of our self-owned factories in operation by one million tons and facilitated optimization of our cost structure. See note 38 to the Accountants’ Report in Appendix I to this document.

The following table sets forth certain details of the expansion of our factories since December 31, 2023 and the expansion plans by 2025. Besides the following projects, we plan to continually expand our self-owned production capacity for 2026 and 2027.

| Factories | Product Category | (Estimated) Increased Standard Annual Production Capacity | (Estimated) Date of Commencement of Production for All Production Lines | Estimated Total Investment |
|--|-------------------------|--|---|-------------------------------|
| | | <i>(tons in thousands)</i> | | <i>(RMB in millions)</i> |
| <u>New Factory Construction</u> | | | | |
| Yixing Factory (宜興工廠) ⁽¹⁾ | Packaged drinking water | 1,950 | Third quarter, 2024 | 1,612.5 |
| | Beverage | 250 | | |
| Wanlv Lake Factory (萬綠湖工廠) | Packaged drinking water | 1,970 | Third quarter, 2024 | 1,070.0 |
| Biyouxuan Factory (碧優選工廠) ⁽²⁾ | Packaged drinking water | 950 | First quarter, 2024 | 397.1 |
| Wuyi Mountain Factory (武夷山工廠) | Packaged drinking water | 730 | Third quarter, 2024 | 374.5 |
| Zhejiang Factory (浙江工廠) | Packaged drinking water | 1,060 | 2025 | 601.7 |
| <u>Factory Expansion</u> | | | | |
| Changsha Factory (長沙工廠) ⁽²⁾ | Packaged drinking water | 600 | First quarter, 2024 | 627.3 |
| Chengdu Factory (成都工廠) | Packaged drinking water | 900 | Third quarter, 2024 | 628.5 |
| | Beverage | 100 | | |

Notes:

- (1) Some production lines of our Yixing Factory were put into operation during 2023.
- (2) All production lines of Biyouxuan Factory and Changsha Factory were put into operation as of March 31, 2024.

Our Production Equipment

We purchase most of the production lines from internationally renowned companies, and constantly introduce advanced production lines to expand our production capacity, while enhancing our production techniques. Leveraging our high-quality production equipment, we are able to continuously improve our production capacity. See “— R&D — Production R&D.” We regularly inspect and maintain the production equipment. We have also established a comprehensive equipment management system to ensure the maintenance of production line equipment. To ensure production safety and efficiency, we also install automatic detection devices in key production equipment to reduce the workload of our production personnel.

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SUPPLY CHAIN MANAGEMENT

Water Source Management

We believe that having safe water sources is the backbone of our business operations. Our products are produced using water meeting national drinking water standards. Water used for the production of our products is all sourced from water sources that meets human drinking water standards. To ensure the highest quality of water sources, irrespective of transportation methods, we have implemented a rigorous quality management system, monitoring and maintaining the quality of our water sources. See “— Quality Control — Water Quality Control.”

During the Track Record Period, we primarily procured water from professional water supply systems that meet national drinking water health standards for our purified drinking water products and beverage products. Before the water reaches our production factories, it is usually subject to a comprehensive series of tests, treatments and processing, which are meticulously carried out in strict accordance with established requirements and standards. This ensures that the products delivered to consumers are safe, clean and fit for consumption and use.

We reached water supply arrangements with our collaborating professional water supply systems that meet national drinking water health standards. Salient terms of the water supply arrangements typically include:

- *Duration.* The agreement usually does not have a specific expiration date.
- *Water procurement volume.* We order from professional water supply systems based on our actual production volume and sales demand. We typically do not agree on a minimum procurement volume with professional water supply systems.
- *Payment.* The unit purchase price shall be determined on the basis of the water charges and adjustment (if any) as promulgated by the relevant local regulatory authorities. Water supply expense is then calculated by multiplying the volume of water supplied and the unit purchase price. We typically settle with professional water supply systems on a monthly basis.
- *Credit period.* The credit period granted by professional water supply systems is typically not longer than one month.
- *Delivery.* Professional water supply systems are generally responsible for piping the water taken from water sources to our production factories.
- *Roles and responsibilities.* Professional water supply systems bear the responsibility to ensure that the quality of the supplied water meets the agreed quality requirement under the water supply arrangements and the regular maintenance of the delivery pipeline.

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We have proactively made strategic deployment to access reputable quality water sources in China, including Jialin Mountain in Guangdong Province, Wanlv Lake in Guangdong Province, Wuyi Mountain in Fujian Province and Danjiangkou in Hubei Province. Our criteria for selecting such water sources include water quality, water volume, surrounding environment, compatibility with our existing product development plans and overall costs. In 2010, we obtained the access to our first natural mineral water source in Jialin Mountain, Guangdong Province for the production of our natural mineral water products "L'eau," natural mineral water products "Bonjour Forêt" and barreled water products under our Jialinshan brand. Water quality of the potential natural mineral water source must meet one or more indicators for drinking natural mineral water. In addition, we have adopted a series of water resource protection measures related to our natural mineral water production, which include monitoring water and soil losses, restoring and rebuilding damaged land and vegetation, establishing mining management funds for environmental protection uses and cooperation with local government authorities. We also obtained the access to our first natural water source in Wanlv Lake, a lake area in Guangdong Province.

The following table sets forth the details of our water production plants in the corresponding water sources as of the Latest Practicable Date:

| Factory | Location | Product Category | Water Type | Maximum Approved Annual Taking Volume |
|-------------------------------|--|-------------------------|---------------|---|
| | | | | <i>(tons in thousands)</i> |
| Jialin Mountain Factory . . . | Jialin Mountain, Guangdong Province | Packaged drinking water | Groundwater | 56.0 ⁽¹⁾ |
| Yonglong Factory | Jialin Mountain, Guangdong Province | Packaged drinking water | Groundwater | 117.0 ⁽¹⁾ |
| Biyouxuan Factory | Wanlv Lake, Guangdong Province | Packaged drinking water | Surface water | N/A ⁽²⁾ |

Notes:

- (1) During the Track Record Period, the actual annual taking volume of the Jialin Mountain Factory and the Yonglong Factory were less than the corresponding maximum approved annual taking volume of each factory.
- (2) Biyouxuan Factory entered into contract with one of the professional water supply systems. According to the stipulations of the contract between both parties, the contract duration is two years, with a daily water supply of no less than 6,000 m³. We settle the water supply fees, which are calculated based on the unit purchase price and the actual supply volume, on a monthly basis.

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Water-Taking and Mining Permits

As of the Latest Practicable Date, we have obtained the requisite water-taking permits and mining permits for the water-taking and production of our natural mineral water products, which include two mining permits and two water-taking permits. As advised by our PRC Legal Advisor, we are required to pay mineral source tax (applicable to natural mineral water only) in accordance with relevant laws and regulations for our mining and water-taking activities. We pay resource tax on an annual basis according to the requirements of local governments. Salient terms of our water-taking and mining permits typically include:

- *Grantee of the permit.* Grantee of the water-taking permit or mining permit, typically the specific factory entity is specified in each permit.
- *Term, expiry and renewal.* Each water-taking permit is typically valid for five years, while the validity periods of our two mining permits are ten years and seventeen years, respectively, and the grantee is obliged to renew such permit at the time of or prior to expiry, subject to local government approval.
- *Maximum water-taking volume.* A maximum amount of water-taking volume is indicated in each water-taking permit, typically by volume per year.

Raw Materials and Packaging Materials

The principal raw materials and packaging materials we use in the production of our products include PET, cardboard, bottle caps, labels, milk powder and sugar. Among them, PET is used in manufacturing bottles and is our major raw materials and packaging materials. In 2021, 2022 and 2023, purchases of PET amounted to RMB1,665.2 million, RMB2,165.6 million and RMB1,992.7 million, respectively, accounting for approximately 21.8%, 25.2%, and 23.6% of our total purchases during the same periods, respectively.

We normally adopt centralized raw materials and packaging materials procurement on an annual basis or on demand to fully utilize our economies of scale, strengthen our bargaining power and obtain more competitive procurement prices from potential suppliers. The majority of our raw materials and packaging materials are readily available in China, and we source our raw materials and packaging materials from suppliers located in the regions adjacent to our factories. For key raw materials and packaging materials, we collaborate with multiple suppliers to reduce the concentration risks associated therewith. During the Track Record Period, we did not experience any significant shortage of raw materials and packaging materials supplies, and the raw materials and packaging materials provided by our suppliers did not have any significant quality issues.

Potential pricing fluctuations in our raw materials and packaging materials can arise due to factors including global and domestic economic conditions, governmental regulations, supply-demand dynamics and geopolitical conditions. While our bargaining power for certain materials might be restricted to a certain extent due to these factors beyond our control, our ability to procure and supply remains steadfast. We employ tailored procurement strategies for different materials and continuously adjust our approach to ensure consistent and timely supply. For instance, when procuring PET, sugar and milk powder, based on market research and analysis, we adopt a comprehensive strategy in which we secure material prices by

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purchasing in advance at a suitable ratio when prices are low and opt for opportunistic procurement during price increases. For key packaging materials such as cardboard, bottle caps and labels, we adopt a procurement pricing adjustment mechanism based on annual procurement amount to mitigate the impact of significant price fluctuations on us or our suppliers. This proactive approach ensures our resilience against pricing risks and supply shortages. In addition, we have upgraded our proprietary bulk material management system utilizing AI technologies. This comprehensive system forms a full-cycle, closed-loop management of raw materials including demand forecasting for material procurement, bidding issuance, raw materials distribution, inventory management and account reconciliation. Through data modelling, AI algorithms, and seamless integration of the system with business, financial and legal IT systems, the raw materials management system enables us to achieve optimal delivery route design, lowest procurement cost bidding, real-time inventory tracking, demand gap warning and automated generation of accounts payable and contracts. See “— Information Technology.”

Nevertheless, we may not be able to effectively secure favorable prices to protect us against the risk of price fluctuations or pass on increased costs to our customers. See “Risk Factors — Risks Related to Our Business and Industry — The price volatility, declining quality or other risks related to the supply of our raw materials and packaging materials may materially and adversely affect our business and profitability.”

SUPPLIERS

We have maintained stable and long-term relationships with our major suppliers. We procure raw materials and packaging materials from qualified suppliers selected by our quality control and procurement departments through strict evaluation processes. We consider a number of factors during our evaluation, including, but not limited, each supplier’s background, reputation, industry experience and financial condition, and most importantly the quality and price of their supplies. We regularly participate in research symposiums hosted by relevant industry associations, conduct market research and conduct product sampling and site visits to better prepare for development of our new product offerings. We conduct annual on-site inspections of our major qualified suppliers and evaluate our qualified suppliers on an annual basis. For more information on the quality control of our supply chain, see “— Quality Control.”

Our major suppliers are suppliers of raw materials and packaging materials, providers of logistics services, marketing services and warehousing services and our Cooperative Manufacturing Partners. CR Chemical, our largest supplier during the Track Record Period, will become our connected person (as defined under Chapter 14A of the Listing Rules) upon [REDACTED]. See “Connected Transactions.” The purchase amounts from our largest supplier for the years ended December 31, 2021, 2022 and 2023 accounted for 7.0%, 9.7% and 11.0%, respectively, of our total purchase amount during those periods. The aggregate purchase amounts from our five largest suppliers for the years ended December 31, 2021, 2022 and 2023 accounted for 31.0%, 33.5% and 33.2%, respectively, of our total purchase amount during those periods.

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The following table sets forth the details of our five largest suppliers during the Track Record Period:

Year ended December 31, 2021

| Supplier | Principal Business | Products/Services Provided by the Supplier | Purchase Amount | % of Total Purchase Amount | Year of Commencement of Business Relationship With Us |
|----------------|--|--|--------------------|----------------------------------|---|
| | | | <i>(RMB'000)</i> | % | |
| 1. CR Chemical | Wholesale business of mineral products, building materials and chemical products | PET | 536,522 | 7.0 | 2013 |
| 2. Company T | Production and sales of drinking water, beverages, PET bottles and PET preforms | Manufacturing service | 509,853 | 6.7 | 2016 |
| 3. Supplier B | Manufacturer of plastic products | PET | 471,663 | 6.2 | 2013 |
| 4. Supplier C | Manufacturing of plastic parts and other plastic products | Manufacturing service | 452,810 | 5.9 | 2013 |
| 5. Supplier D | Manufacturer of chemical materials | PET | 397,301 | 5.2 | 2019 |
| Total | | | 2,368,149 | 31.0 | |

Year ended December 31, 2022

| Supplier | Principal Business | Products/Services Provided by the Supplier | Purchase Amount | % of Total Purchase Amount | Year of Commencement of Business Relationship With Us |
|----------------|--|--|--------------------|----------------------------------|---|
| | | | <i>(RMB'000)</i> | % | |
| 1. CR Chemical | Wholesale business of mineral products, building materials and chemical products | PET | 833,354 | 9.7 | 2013 |
| 2. Supplier B | Manufacturer of plastic products | PET | 723,038 | 8.4 | 2013 |
| 3. Company T | Production and sales of drinking water, beverages, PET bottles and PET preforms | Manufacturing service | 497,725 | 5.8 | 2016 |
| 4. Supplier C | Manufacturing of plastic parts and other plastic products | Manufacturing service | 483,583 | 5.6 | 2013 |
| 5. Supplier E | Production of food and beverage packaging | PET and manufacturing service | 342,794 | 4.0 | 2012 |
| Total | | | 2,880,494 | 33.5 | |

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Year ended December 31, 2023

| Supplier | Principal Business | Products/Services Provided by the Supplier | Purchase Amount | % of Total Purchase Amount | Year of Commencement of Business Relationship With Us |
|----------------|--|--|--------------------|----------------------------------|---|
| | | | <i>(RMB'000)</i> | % | |
| 1. CR Chemical | Wholesale business of mineral products, building materials and chemical products | PET | 929,029 | 11.0 | 2013 |
| 2. Supplier B | Manufacturer of plastic products | PET | 596,579 | 7.1 | 2013 |
| 3. Supplier C | Manufacturer of plastic parts and other plastic products | Manufacturing service | 471,743 | 5.6 | 2013 |
| 4. Company T | Production and sales of drinking water, beverages, PET bottles and PET preforms | Manufacturing service | 440,279 | 5.2 | 2016 |
| 5. Supplier E | Production of food and beverage packaging | PET and manufacturing service | 367,022 | 4.3 | 2012 |
| Total | | | 2,804,652 | 33.2 | |

As of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of the Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers, except for CR Chemical, details of which are disclosed in “Connected Transactions.”

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, Company T, one of our top five suppliers in each period during the Track Record Period, was also our largest customer in each period during the Track Record Period. Company T, together with its controlled entities, is a group providing distribution, packaged drinking water production and logistics services, and relevant group members of Company T served as our distributor, our Cooperative Manufacturing Partner and our third-party logistics service provider during the Track Record Period. During the Track Record Period, a company under common control with Customer B, one of our top five customers in each period during the Track Record Period also provided logistics services to us. According to the CIC Report, it is not uncommon in the industry for one subsidiary of a group to receive goods or services from an entity, while other subsidiaries of such group provide services to that same entity. Negotiations of the terms of our sales to and purchases from these overlapping customers and suppliers were conducted on an individual basis and the sales and purchases were neither inter-connected nor inter-conditional with each other. Our Directors confirmed that all of our sales to and purchases from the overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on an arm’s-length basis. The revenue from Company T for the years ended December 31, 2021, 2022

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and 2023 was RMB948.8 million, RMB922.7 million and RMB957.5 million, respectively, accounting for approximately 8.4%, 7.3% and 7.1% of our total revenue, respectively, for the same periods. The purchase amount attributable to Company T for the years ended December 31, 2021, 2022 and 2023 was RMB509.9 million, RMB497.7 million and RMB440.3 million, respectively, accounting for approximately 6.7%, 5.8% and 5.2% of our total purchase amount, respectively, for the same periods. The revenue from Customer B for the years ended December 31, 2021, 2022 and 2023 was RMB416.9 million, RMB324.9 million and RMB363.0 million, respectively, accounting for approximately 3.7%, 2.6% and 2.7% of our total revenue, respectively, for the same periods. The purchase amount attributable to the aforementioned company under common control with Customer B for the years ended December 31, 2021, 2022 and 2023 was RMB47.7 million, RMB31.6 million and RMB8.3 million, respectively, accounting for approximately 0.6%, 0.4% and 0.1% of our total purchase amount, respectively, for the same periods.

QUALITY CONTROL

We place great emphasis on the quality of our products, which we believe is vital to our sustainable business growth. We perform various quality inspection and testing procedures, including visual inspection, physical and chemical inspection, microbiological testing and weight checks at different stages throughout our operations, to ensure that our products meet the relevant quality standards and comply with applicable laws and regulations.

We implemented our proprietary “China Resources C’estbon Full Value Chain Food Safety and Quality Management System” (“華潤怡寶全價值鏈食品安全與質量管理體系”), a SPM system, and have constantly and meticulously refined the system over the years of its operation to cover every aspect of our supply chain, production process and finished product management. In 2007, we comprehensively revised the factory ISO9001 system documents in line with our original SPM quality management concept. In 2013, we introduced the FSSC22000/ISO22000 food safety management system standard and enhanced the management requirements related to food safety. In 2011, we officially implemented the SPM system in full, which was awarded the 2011 Light Industry Enterprises Management Modernization Innovation Achievement Award (2011年度輕工企業管理現代化創新成果獎) by the China National Light Industry Council (中國輕工業聯合會). In 2014, aligned with our business expansion needs, we added a series of management requirements related to new factory construction, and organized a comprehensive quality control plan with detailed construction procedures in each stage of construction as quality control checkpoints. Through the implementation of such new factory construction requirements, we were able to achieve rapid replication of standard factory layout in all factories nationwide, effectively meeting our rapid development needs. In 2018, the SPM system was upgraded to version 2.0 as a whole, ensuring that factories nationwide continue to provide high-quality and safe products.

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As of December 31, 2023, we had a dedicated quality control team of 227 quality control professionals, with 142 professionals at our own factories and 85 professionals at our headquarters. Among the 85 professionals, approximately 80% had over ten years’ management experience in the food and beverage industry. Our Cooperative Manufacturing Partners also have 447 quality control professionals. Through unified standards, processes and control, our quality control ensures the quality consistency and safety of products manufactured in our self-owned factories and the factories of our Cooperative Manufacturing Partners. In addition, we also provide various training and internal certification programs to aid the development of our professional personnel and vigorously recruit external experts to bolster our talent pool and drive supply chain transformation. In addition, our quality control system is further empowered by our IT. For example, our quality management system (“QMS system”) helps with the implementation of our quality control mechanism from our headquarters to factories. See “— Information Technology.” Furthermore, we have formed long-term and in-depth cooperative relationships with top-tier production equipment, raw materials and logistics suppliers in the industry with an aim to enhance our production and supply chain efficiency, quality management and cost control capabilities.

Water Quality Control

We have adopted stringent quality management measures for all our water sources and the quality of all types of water must meet the corresponding national standards and regulations. We annually sample the points where the pipelines enter our factories for the water supplied by professional water supply systems. We also either obtain comprehensive inspection reports from the professional water supply systems or conduct inspections ourselves to evaluate their water quality. With regard to natural water, prior to production, we conduct at least three water quality inspections on the source to ensure that the water meets the necessary standards. Furthermore, we perform regular microbial inspections and comprehensive water source quality inspections on natural water sources. In the case of natural mineral water, we annually collect samples during both the flood and dry seasons, which are then sent to certified third-party inspection agencies for testing. For all water sources, our factories are required to monitor the water source quality in line with the stipulated quality control plans. See “— Supply Chain Management — Water Source Management.”

Product Development Quality Control

Our product development quality control begins at the initial stage of product development. Our quality control department works closely with our R&D team to evaluate the effectiveness, stability and safety of each formula and production technique, and whether raw materials and packaging materials of proposed packaged drinking water or beverage products are in compliance with the relevant laws and regulations and industry standards. See “— R&D — Product R&D.”

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Supply Chain Quality Control

We believe that raw materials and packaging materials are crucial to our product quality. Our supply chain quality control system ensures the quality of materials through three aspects covered by our SPM system: (i) new supplier development; (ii) regular monitoring and supervision; and (iii) periodic supplier performance evaluation. We have a stringent selection process to choose our suppliers, which primarily includes demand forecasting, qualification assessment, on-site production and product quality assessment. We also constantly strengthen the dynamic management of suppliers, ensuring timely supplier selection and replacement based on performance considerations. For existing suppliers, we conduct monthly assessments on the quality of their products, delivery timeliness and the efficiency and effectiveness of their supplementary services. Based on the assessment results in each month, we generate detailed annual grading assessment reports and make adjustments to our supply chain accordingly by terminating business relationships with those who repeatedly underperform in monthly assessments.

We regularly monitor and evaluate the performance of our suppliers through annual audits, product sampling and anomaly resolution based on our internal guidelines on quality control of raw materials and packaging materials. In accordance with our internal guidelines, we conduct acceptance checks on our raw materials and packaging materials for their appearance, specifications and functionality and conduct tests on randomly selected samples. If the samples fail to pass our tests, we will return the entire batch of raw material or packaging material to the supplier. If a supplier repeatedly fails our acceptance tests, we will take appropriate action in accordance with our internal procedures such as terminating supply relationships or excluding the supplier entirely from our potential supplier list, depending on the severity of the non-compliance.

In addition, we have established an anti-corruption mechanism in our supply chain management process, requiring suppliers to sign a "Sunshine Declaration" ("陽光宣言"), setting out impermissible corrupt and anti-competitive behaviors, and requiring integrity commitment letters from personnel involved in procurement activities to ensure mutual compliance with anti-bribery, anti-extortion and anti-disclosure of trade secrets.

Production Process Quality Control

We have established a comprehensive production process quality control system covering various stages of production by our self-owned factories and factories of our Cooperative Manufacturing Partners facilitated by our SPM system, including water treatment, injection molding, blow molding, filling, cap sealing, labeling, packaging, finished water storage and product release. Specific control requirements are stipulated for each production phase and are supported by corresponding testing standards for raw materials, packaging materials and process indicators. We also employ various testing methods such as sensory analysis, physicochemical evaluation and microbial detection to ensure that the quality indicators during the production process and the quality indicators of the final products are compliant with our quality control standards.

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Each factory shall follow these specified standards for new production line construction, raw materials and packaging materials acceptance, production, product storage and outbound management. Our central Quality, Environment Health and Safety (QEHS) department maintains a dedicated production quality supervision module, which involves quality audits, inspections and spot checks at the factory level. This module drives effective implementation of our SPM standards and conducts targeted diagnostics of quality risks associated with our production processes. Major aspects for supervision include document execution, process conformity, prevention and control of foreign objects, odors, microbiological risks, on-site 5S and GMP execution, improvement project implementation, product sampling, process stability assessment and management of quality exceptions. These comprehensive measures facilitate continuous improvement of quality control within our factories.

To ensure the effective implementation of our quality control system, we assign our quality control staff to perform regular inspections and quality monitoring throughout the entire production process, to ensure our production conform to national and industry production standards as well as our internal production guidelines. In compliance with product safety requirements, strict hygiene standards must be followed by all of our staff during the production process, while our equipment and machinery used in the production process must adhere to its specific sterilization procedures and criteria depending on the respective functions.

Finished Products, Logistics and Warehouse Quality Control

Our market quality control applies to both products manufactured in our self-owned factories and the factories of our Cooperative Manufacturing Partners. Empowered by our SPM system, our market quality control covers the lifecycle of our finished products from storage to delivery to the final sales to ensure that our products are stored, delivered and sold in good condition. Our products must pass quality inspections before shipping. At the same time, when products are shipped, we require our logistics service providers to strictly adhere to relevant transportation quality requirements to ensure our products are transported under appropriate conditions.

We implement rigid market quality control mechanisms and specify quality control requirements for warehousing and logistics, and have incorporated such requirements into the contractual terms of our standard distribution agreement and tripartite agreements with the selected sub-distributors to ensure effective implementation across our nationwide sales network.

We oversee market quality through initiatives such as conducting specialized training for sales personnel, distributing quality awareness materials to our distributors and issuing quality risk warning materials to promote our quality management requirements and enhance employee quality awareness. We also conduct regular market quality inspections and organize self-assessments in our nationwide sales network, to supervise the implementation of, and drive improvements in, our quality management requirements. To ensure the consistency and continual improvement of our product quality, we have adopted a comprehensive monitoring

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system across the product lifecycle, identifying potential quality risks. This system includes conducting random sample checks of market-sold products, which are then tested at our headquarters’ testing centers and third-party testing institutions. The results of these sample tests are linked with the performance evaluations of the corresponding production factories, thereby incentivizing our production personnel to prioritize product quality monitoring.

Product Return and Recalls

Distributors generally cannot return our products after receipt. Under the distribution agreements, we issue refunds or credits for products due to quality issues caused by us, in which case we will be responsible for the costs incurred from product exchange or return.

With our online and offline presences, we have set up mechanisms to handle complaints and inquiries, including our hotlines and other feedback channels. In addressing the consumers’ complaints, our dedicated team of customer service personnel communicate and liaise with the consumers in a timely manner and commence the quality investigation procedures if necessary. Our customer service team keeps records of all inquiries, feedback and complaints and the results of the investigation or resolution measures.

We have also formulated product recall procedures to ensure compliance with food safety requirements under relevant laws and regulations. During the Track Record Period and up to the Latest Practicable Date, (i) we did not experience any material incidents in the course of our sales operation, nor were there any material claims for personal or property damages or compensation arising from our sold products; (ii) we were not subject to any material administrative or other penalties from the Chinese government authorities in connection with product quality or food safety; (iii) we were not ordered to undertake any mandatory product recalls as required by any government authorities, which could have an adverse effect on our business, financial condition and results of operations; (iv) we did not experience any product liability claims or incidents related to product liability exposure, which was, individually or on an aggregate basis, material to our Group during the Track Record Period; and (v) we did not receive any material complaints from consumers in connection with product quality. See “Risk factors — Risks related to our business and industry — Product defects, product contamination or other product quality and food safety issues related to our products, or concerns about the safety, quality or health effects of our products could damage our reputation, and may materially and adversely affect our business and results of operations.”

PRICING

We price our products based on various factors, such as product positioning, production costs, market competition and reasonable profit level of distributors and direct sales customers in our sales network. We provide our distributors and direct sales customers with suggested retail prices of our products. Our distributors and direct sales customers shall not take any actions that may materially disrupt the retail prices of our products. See “— Our Sales Network.”

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SEASONALITY

The consumption of packaged drinking water and beverages is subject to seasonal variations. We typically experience sales peaks in the second and third quarters of each year, primarily due to the warmer weather. Meanwhile, we typically have low seasons with generally lower revenue and lower utilization rates for our production capacity in the first and the fourth quarters, which negatively affects our profitability during the same periods. See “Financial Information — Major Factors Affecting Our Results of Operations — Specific Factors — Weather and Seasonality.”

LOGISTICS

Our logistics arrangements are mainly supported by: (i) self-pickup arrangements by distributors; and (ii) third-party logistics service providers.

We select logistics service providers through a centralized procurement and bidding process based on the corporate strength, operational capabilities, system construction capabilities, collaboration track record, price and scale of operation of the logistics service providers. Our arrangements with third-party logistics service providers allow us to provide fast and efficient delivery services of our products, reduce our capital investment and reduce the risk of incurring liability for traffic accidents, delivery delays or loss. Once our logistics service providers confirm receipt of the products to be delivered, the risks relating to the transportation and delivery of our products are transferred to the logistics service providers.

INVENTORY MANAGEMENT

Our inventories primarily consist of: (i) raw materials and consumables, primarily including PET, packaging materials and ingredients; and (ii) finished goods, primarily including packaged drinking water products and beverage products. Our inventory levels are designated on the premise of our sales and production plans. Additionally, after four decades of operations, we believe we have formed solid relationships with upstream raw materials and packaging materials suppliers in the relevant markets. We will stock up on certain raw materials and packaging materials based on business needs in anticipation of any significant increase in the price of such raw materials and packaging materials. During the Track Record Period, we did not experience any material shortage or obsolescence of inventory. See “— Supply Chain Management — Raw Materials and Packaging Materials.” Furthermore, we plan to further expand our product offerings and therefore diversify the raw materials and packaging materials categories to reduce the risk of price fluctuations in certain raw materials and packaging materials.

We focus on optimizing our inventory management, and we have crafted and implemented a strict inventory management mechanism across our production factories. All inventories are stored using pallets in the warehouses of our production factories or leased warehouses. Adhering to our zoning management requirements, stored materials are categorized, allocated to designated areas, and audited periodically, ensuring alignment between accounts and physical inventory. Our warehouse personnel divide storage areas with zone numbers and

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identifiers. Inventories with different categories, specifications and values are stored separately according to technical storage requirements, eliminating any potential commingling in between. Our inventory placement is standardized in accordance with the principle of neat alignment and easy visual recognition. Our inventory management mechanism takes the inventory statistics from our distributor network into consideration. Our inventory management mechanism also considers the inventory levels of raw materials and consumables, covering procurement, material supply, material receipt and returns, inventory checks and scrapping.

With a strict and effective inventory management mechanism in place, our inventory turnover days amounted to 19.1 days, 24.8 days and 23.6 days in 2021, 2022 and 2023, respectively. See “Financial Information — Description of Certain Components of Our Consolidated Statements of Financial Position — Inventories.”

INFORMATION TECHNOLOGY

Our technological advancements continuously enable the growth of our operation. We utilize a number of IT systems in various stages of our business operations, including raw materials and packaging materials supply, production, operation and logistics. Leveraging our proprietary IT, we effectively standardize our operations and manage our procurement, sales and distribution, quality control, inventory management and logistics, financial reporting and human resources functions, thereby enhancing our management and operational efficiency. For instance, in terms of our raw materials and packaging materials management, we have fully incorporated our proprietary AI algorithms in our bulk material management system to assist the management of procurement, contracts, approval and distribution, providing scientific, efficient and precise AI-empowered assistance to our raw materials and packaging materials management process and facilitating better control of raw materials and packaging materials costs. The procurement modeling algorithm of our bulk material management system was also granted a national invention patent in 2023. As of December 31, 2023, we had nine self-developed IT systems. The following table sets forth certain of our major IT systems, the majority of which are self-developed:

| IT System | Year Launched | Function Description |
|--|---------------|--|
| The enterprise resource planning system (ERP) | 2013 | Such system integrates resources for procurement, production, sales and finance, and handles data for procurement, inventory, production, planning, orders, logistics and finance. |
| The business intelligence system (BI) | 2013 | Such system produces analytical reports on nationwide supply chain and sales data, ensuring timely and standard delivery of operational insights. |

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| IT System | Year Launched | Function Description |
|--|----------------------|--|
| The end customer relationship management support system (CRM-SUP) . . . | 2014 | Such system helps effectively plan store visit routes, manage display initiatives, process orders, execute promotions, oversee performance and collect data on competing products at the end market. |
| The quality management system (QMS) | 2017 | Such system manages data and records related to product and material inspections, empowering digital quality control processes and facilitating two-level quality management from our headquarters to factories. |
| The distribution management system (DMS) | 2017 | Such system integrates the management of online orders and distribution channels, and supports sales channels in ordering, inventory and order allocation management. |
| The bulk material management system . . | 2018 | Such system effectively manages the process from procurement to contract, approval and allocation of raw materials and packaging materials, and makes full use of AI algorithms to provide decision-making support for the management process. |
| The product tracking system (PTS). | 2019 | Such system enables end-to-end product information collection and supply chain traceability, enhancing operational efficiency and supporting product recalls and anti-counterfeiting efforts. |
| The supplier relationship management system (SRM) | 2022 | Such system enables efficient collaboration and management of the operations of our suppliers. |

Our IT systems are maintained by our IT team. As of December 31, 2023, we had a dedicated IT team consisting of 33 personnel. Our business operations hinge on our IT capabilities and the reliability of our IT infrastructure. To ensure the continual and stable operation of the vital IT systems and facilities, our IT team performs system checks, data backups, system maintenance, and maintains spare systems and parts of emergency hardware components. See “Risk Factors — Any defect of our IT systems or any failure to comply with relevant data privacy and information security laws can damage our reputation and subject us to legal proceedings and regulatory scrutiny.” During the Track Record Period and up to the Latest Practicable Date, we did not experience any material failure or breakdown of our IT systems which resulted in a material adverse impact on our overall business operations.

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R&D

We prioritize R&D, consistently introducing diverse and innovative products while also upgrading and optimizing our existing offerings, which we believe is critical to maintaining our competitive advantage in China's RTD soft beverage market. Our relentless effort in R&D helps us address the demands and requirements of our consumers. During the Track Record Period, our R&D focused on continuously upgrading and improving our existing packaged drinking water and beverage products, launching new products and exploring new product categories.

R&D Team

We had an R&D team of 60 personnel as of December 31, 2023, 18 of whom held master's degrees, 31 had engineer titles and most of our R&D team had multiple years of experience in the food and beverage industry. In 2023, we expanded our capabilities further by establishing sensory labs, tea research labs and coffee research labs. We have also adopted advanced R&D equipment that spans the spectrum of beverage applicational and fundamental research.

In 2021, 2022 and 2023, our research and development costs amounted to RMB49.0 million, RMB49.2 million and RMB61.5 million, respectively. Our R&D expenditures are recognized as expenses in the period such expenses were incurred.

Product R&D

We believe that product R&D is crucial to our success and sustainable growth. Our commitment to innovation is exemplified through our continuous efforts in developing new products to enhance and diversify our product offerings. We adopt an advanced and integrated R&D management process to combine the force of multiple departments to respond promptly to the changing market. Each product R&D project follows certain key steps as set out below:

- *Concept Design.* The sales and marketing team proposes innovative product concepts and conducts market research to collect relevant market information, such as market demand, target consumers and competing products. We also collect feedback from consumers on the proposed product concepts. We evaluate the project's feasibility based on the market research reports and determine whether the project can proceed.

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- *Product Design and Development.* Product design and development mainly includes functional ingredient and flavor research and design, raw materials and packaging materials R&D, visual design and packaging research and Cooperative Manufacturing Partners identification and negotiations.
- *Industrial Realization.* The proposed product is tested based on multiple factors, such as the stability of the content and formula, the transportation and storage test for packaging and bottle design, third-party production examination and processing compliance.
- *Product Launch.* Raw materials, packaging materials and formulas are registered into our ERP system, while the quality control team establishes relevant quality control plans for the launched product. The environment and safety team verifies technical standards, after which we start small-scale production involving product trial and feedback collection from consumers, followed by the final product launch.

Production R&D

To maintain our position at the forefront of the industry and enhance both the quality and safety of our products, we constantly improve our production techniques and upgrade our equipment to improve productivity, optimize operational efficiency and modularize the production process. For example, we invented a rapid testing technology for *Pseudomonas aeruginosa* testing, a key quality control microorganism for packaged drinking water products, which effectively optimizes our delivery process. The technology has been granted a national invention patent (ZL201910582662.7) and transformed into the group standard of the China Beverage Industry Association (TCBIA 011-2024). Our R&D team is responsible for the enhancement and development of our production techniques, and we also collaborate with third-party institutions to conduct research on industry-advanced production technologies.

We also continuously optimize our packaging techniques to reduce transportation cost and improve transportation efficiency. In 2022, our proprietary tray designed for the efficient transportation of large-sized bottled water was granted a utility model patent. The tray is innovatively designed with multiple bottom grooves on the upper surface and multiple tapered grooves on the lower surface. These grooves provide space for the neck of the bottles, increasing the contact area of the large-sized or barreled water bottles. The design reduces the risks of deformation of the barrel or bottle neck under pressure during transportation and stacking, thereby reducing the chances of breakage.

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COMPETITION

According to the CIC Report, the RTD soft beverage market in China, in terms of retail sales value, is expected to expand to RMB1,203.2 billion by 2028. The RTD soft beverage market is relatively concentrated in China, with the five largest players contributing a 42.6% market share in terms of retail sales value in 2023, which is expected to continue to rise. The leading players are expected to maintain and increase their market shares, capitalizing on well-established brand recognition, sales channel presence, comprehensive product portfolio and R&D capabilities. According to the CIC Report, we ranked fifth in terms of retail sales value in the RTD soft beverage market in China in 2023.

According to the CIC Report, the size of the packaged drinking water market in China by retail sales value was RMB215.0 billion in 2023, growing at a CAGR of 7.1% from 2018 to 2023, and is expected to reach RMB314.3 billion by 2028, growing at a CAGR of 7.9% from 2023 to 2028. This market accounted for 23.6% of the RTD soft beverage market in China by retail sales value in 2023, which is expected to increase to 26.1% by 2028. The concentration of the packaged drinking water market in China is continuously increasing, with the total market share of the five largest players in terms of retail sales value increasing from 56.2% to 58.6% from 2021 to 2023. We ranked second in the packaged drinking water market in China in 2023, and ranked first in the purified drinking water market in China in terms of retail sales value. According to the CIC Report, our market share in the packaged drinking water market and the purified drinking water market, in terms of retail sales value, was 18.4% and 32.7%, respectively in 2023.

For other segments of the RTD soft beverage market in China, in 2023, we ranked first in China’s chrysanthemum tea beverage market in terms of retail sales value.

See “Industry Overview.”

INTELLECTUAL PROPERTY

Our intellectual property rights are key to our success and competitiveness, primarily consisting of trademarks, copyrights, patents and the domain names we use. As of December 31, 2023, we had 1,039 registered trademarks, 80 patents, 62 registered copyrights and six domain names in China. See “Appendix IV — Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights” for more details of the material intellectual property rights.

We undertake a proactive approach to managing our intellectual property. Our legal department performs regular monitoring of our intellectual property rights. We act when we are aware of a potential infringement of our intellectual property rights. For instance, we perform routine checks on the public trademark registration platform to ensure our trademarks are not infringed by others.

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During the Track Record Period and up to the Latest Practicable Date, we were not aware of (i) any infringement by us of any intellectual property rights owned by third parties, or (ii) any infringement by any third parties of any intellectual property rights owned by us, that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes, litigation or legal proceedings for any material violation of intellectual property rights of any person. See “Risk Factors — Risks related to our Business and Industry — We may not be able to adequately protect our intellectual property rights, and may be subject to infringement of intellectual property rights, or misappropriation claims, by third parties.”

When dealing with the infringement of the Company’s intellectual property rights, we find incidents concerning counterfeit products and other infringements against our products through internal and external channels, including: (i) our sales personnel across the country; (ii) our staff from the legal department when they conduct market research; (iii) our commissioned intellectual property experts or legal consultants when they actively conduct investigations; and (iv) complaints and reports by consumers through our customer service hotline. After discovering incidences of infringements, we will collect supporting information, make an assessment on whether an infringement has actually taken place, and analyze the feasibility of defending our rights and the approaches we may take. Based on different product infringements and specific circumstances, with the support of intellectual property experts or legal consultants, we defend our rights through targeted approaches, including, but not limited to, filing administrative complaints, litigation and reporting to the police department.

EMPLOYEES

As of December 31, 2021, 2022 and 2023, we had 11,725, 10,884 and 10,970 full-time employees, respectively, the majority of whom are based in Mainland China. The following table sets forth the number of our employees by function during the Track Record Period:

| Function | As of December 31, 2023 | |
|-------------------------------|-------------------------|-------------------------------|
| | Number of employees | Percentage of total employees |
| | | % |
| Sales and Marketing | 8,797 | 80.2 |
| Administration | 347 | 3.2 |
| R&D | 60 | 0.5 |
| Production | 1,766 | 16.1 |
| Total | 10,970 | 100.0 |

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During the Track Record Period, we recruited our employees through on-campus recruitment, job fairs, recruitment agencies and internal and external referrals. Committed to providing fair and equal opportunities in all our employment practices, we have adopted policies and procedures to ensure a fair selection and hiring process. As part of our retention strategy, we offer our employees competitive salaries, comprehensive insurance packages and merit-based incentive schemes which are generally based on performance of the individual employees and the overall performance of our business.

We provide new hire training to new joiners on our corporate culture, business and industry, improving their understanding of our Company and their abilities to perform their duties. We also regularly provide tailor-made in-house training sessions to our employees that seek to improve their technical skills or arrange for our employees to attend training sessions provided by third parties. In addition, we provide management skills training opportunities to certain employees to help them transition into a management role.

As required by PRC laws and regulations, in addition to what has been disclosed in this document, we participate in various employee social security plans for our employees that are administered by local governments, including pension, medical insurance, maternity insurance, work-related injury insurance, unemployment insurance and housing provident fund.

As of December 31, 2023, we established labor unions in China to protect the legitimate rights and interests of our employees. We believe that we generally maintain a good working relationship with our employees, and we did not experience any significant labor disputes.

OCCUPATIONAL HEALTH AND SAFETY

We are subject to the PRC laws and regulations in respect of employee health and safety. We attach great importance to the occupational health and safety ("OHS") management of our employees. We have established an Environment, Health and Safety ("EHS") Committee, formulated and published a series of internal management policies and guidelines, such as the "C'estbon EHS Management System Manual," "Occupational Health Management," "Hearing Protection" and "Management Regulations on Personal Protective Equipment," and also linked the EHS performance with employee performance assessments, continuously promoting the construction of our production safety management system. We regularly evaluate our equipment and production facilities to ensure their safety for our operations. We also conduct periodic and annual OHS publicity and education training for employees to strengthen their awareness and knowledge on safety procedures and accident prevention from time to time. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents involving personal injury or property damage, and we were not subject to any material claims, lawsuits, penalties or disciplinary actions as a result of any material accidents.

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INSURANCE

We maintain insurance policies to cover potential product liabilities and potential safety issues relating to our production. In addition, we have purchased several property-related insurance policies covering our buildings, facilities, machinery, vehicles, equipment, inventories and other assets. We review our insurance policies from time to time for adequacy in the breadth of coverage. We believe our existing insurance coverage is adequate for our existing operations and is in line with industry practices in China. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. Please refer to the section headed “Risk Factors — Risks Related to Our Business and Industry — Our insurance coverage may be insufficient to cover our potential liabilities or losses” for further details. During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

Vision and ESG Strategy

ESG responsibilities are recognized as a long-term core strategy and are critical to our ability to create sustainable value for our stakeholders. With the mission of “shape the future of refreshment to bring a safe, healthy and wonderful life,” we are committed to promoting sustainable corporate goals by integrating the concept of sustainable development into our decisions and daily operations.

ESG Governance

We are aware of the impact that ESG-related risks can have on our business. Therefore, in order to better manage ESG-related issues, we have established a Board-centered ESG structure to continuously oversee our CSR and sustainability practices, covering the following dimensions: (i) appropriate risk governance for ESG matters, including climate-related risks and materiality analysis; (ii) identification of key stakeholders and the communication channels to engage them; (iii) an ESG strategy development process; and (iv) identification of key performance indicators, related measurements and mitigations. We are committed to complying with the ESG reporting requirements upon [REDACTED] and we believe our policies on ESG-related matters were established in accordance with the standards set out in Appendix C2 to the Listing Rules.

The key responsibilities and divisions of our existing ESG structure are as follows:

- *Governance.* The Board of Directors assumes oversight responsibility, and receives reports from the Corporate Culture and Social Responsibility Steering Committee, supervising and evaluating the progress of the Company’s ESG efforts and providing recommendations.

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- *Co-ordination.* The Corporate Culture and Social Responsibility Steering Committee is responsible for the formulation and implementation of strategies and the setting of forward-looking goals, coordinating and supervising the implementation of ESG-related work and the achievement of goals.
- *Executives.* Executives comprise functional departments, business centers, sales regions, factories, etc., and are responsible for the promotion and implementation of ESG work.

We believe that understanding the views and perspectives of our internal and external stakeholders will help to advance our ESG management. Therefore, we have established a standing mechanism for stakeholder communication and engagement, and actively communicate with stakeholders through various channels to understand and better manage material issues of concern to them, thereby continuously strengthening our ability to achieve sustainable development.

We recognize that our business will be affected by environmental and social-related risks, and therefore we conduct materiality analysis to identify relevant risks and their potential impacts, and to gain a more comprehensive understanding of various ESG issues. Through the judgment of our management, as well as concerning materiality mapping provided by reputable external organizations and the advice of third-party ESG consultants, we have identified material ESG issues that are highly relevant to our business.

Environmental and Social Issues

Environment

We have complied with the Law of the People’s Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Water Law of the People’s Republic of China (《中華人民共和國水法》), and the Atmospheric Pollution Prevention and the Control Law of the People’s Republic of China (《中華人民共和國大氣污染防治法》) and have formulated internal systems such as the “Emergency Response Plan,” (《緊急響應處理方案》) the “Wastewater Discharge Management Regulations” (《污水排放管理規定》) and the “C’estbon Greenhouse Gas Management System” (《怡寶溫室氣體管理制度》) and so on. We have not been subject to any material fines or penalties for non-compliance with the environmental laws of the People’s Republic of China during the Track Record Period and up to the Latest Practicable Date, nor have we been subject to any material administrative penalties for violation of the environmental laws of the People’s Republic of China.

We have also launched dual-carbon management, conducted a carbon footprint assessment for our Company and the selected nine self-owned factories that in operation, and completed greenhouse gas data verification and certification by third-party certification bodies. At the same time, we have prepared our carbon neutralization forecast report and roadmap.

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In addition, in line with the national "3060 targets," which is to achieve carbon peak by 2030 and carbon neutral by 2060, we have set up the strategic goal of "2030 carbon peak and 2055 carbon neutral," and formulated carbon neutral pathways and implementation measures in the short, medium and long term to promote the enterprise's green and low-carbon transformation. In the short term, we will strive to reduce the use of fossil energy and enhance energy efficiency to reduce carbon emissions. In the medium term, we will step up efforts to promote renewable energy and electrify our equipment. In the long term, we will adopt green packaging materials and optimize transportation methods to achieve carbon neutrality.

We are aware of the various environmental impacts that may occur during the operating process, and we set carbon neutralization targets and other environmental targets based on the nature of our business and carbon verification results, combined with the forecast results of different scenarios at 2°C (temperature rise is kept within 2°C) and 1.5°C (temperature rise is kept within 1.5°C). We have set two carbon neutralization targets: (i) conservative emission reduction plan: achieve a carbon peak by 2030, and achieve carbon neutralization by 2055; and (ii) active emission reduction plan: achieve a carbon peak by 2030, and achieve carbon neutralization by 2050.

Water Resources Management

We adhere to the whole life cycle management of water footprint, manage water consumption for production and realize the efficient utilization of water resources by optimizing the production process and reforming the water treatment system. We constructed a diversion channel at the Leigong Shibi water source in Zhuhai to divert the flow of accumulated water around the wells and prevent the accumulated water from seeping into the groundwater. After the completion of the aqueduct, we have conducted several microbiological tests on the wells, all of which meet the requirements of the ecological environment. Through the construction of clean sewage collection ponds in the factory, we have realized the recycling of wastewater through the collection and treatment of production wastewater, so that the water quality reaches the standard of reclaimed water reuse, and then it is used for irrigation of green areas and road cleaning. From 2021 to 2023, repeated water consumption was 1.0213 million tons, 1.1566 million tons and 1.2889 million tons per year, respectively. Furthermore, in order to promote water conservation and prevent unnecessary waste, we enhance employees' awareness of water conservation by carrying out water-saving publicity activities, putting up water-saving slogans and water-saving reminders in the workplace.

Green Packaging

We continue to practice green packaging on the premise of ensuring product safety and consumer experience, actively promote new materials, new designs, new technologies, new equipment and new processes and implement the application of material-saving and energy-saving transformation technologies. We minimize the impact of packaging materials and minimize disposable packaging waste through material procurement, reduced use and design changes. Plastic and paper are the main packaging materials for our products at present. Considering that plastic is difficult to decompose naturally, starting from 2023, we have

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adopted oriented polypropylene (OPP) material instead of PVC material for our labels, which is safer, environmentally friendly and easy to recycle. Meanwhile, we optimize the packaging design of bottles to minimize the total amount of plastic packaging materials. We have already completed packaging optimization for 350ml, 400ml, 555ml, 1.18L, 1.55L and 2.08L water products. Since 2021, we have integrated the bottle cap and bottle body coding into a unified bottle coding, which reduces the number of coding machines and effectively reduces the consumption of energy and raw materials such as electricity and ink. Moreover, we promoted a paperless office and continued to reduce the use of paper documents.

Energy Management

We are committed to promoting energy conservation, emission reduction and the use of clean energy by purchasing and using clean energy and the optimization of process layout and the planning of new energy projects, such as photovoltaic power to replace the use of fossil fuels, and reducing the intensity of energy use through the modification of production processes and equipment. As of December 31, 2023, we had initiated ten new photovoltaic power generation projects and purchased at least 1.65 million kilowatt-hours of green power in 2022 and 4.42 million kilowatt-hours of green power in 2023. Through the transformation of energy-saving equipment, we have reduced the intensity of energy use. In the aspect of logistics, we set up a logistics information management platform and optimized the logistics transportation route reasonably through data visualization management. In addition, we actively promote green logistics, railway transport, electrification of waterborne transportation, zero carbon and double-deck belt plate transport, reducing transportation volume and reduce fuel consumption.

Emission Management

Based on the pollutant discharge registration permit issued by the government, we formulate systems such as Environmental Monitoring and Measurement Management Regulations (《環境監測與測量管理規定》) and Wastewater Discharge Management Regulations (《污水排放管理規定》), and regularly monitor emissions to ensure that the discharge of all pollutants complies with the law. We test production wastewater every day, and commission external professional third-party organizations to test it every year, and implement wastewater disposal in accordance with the highest requirements of the Comprehensive Wastewater Discharge Standard (《污水綜合排放標準》) to ensure wastewater discharge compliance. We are also very concerned about the impact of noise pollution on human health, and noise reduction measures have been taken in some factory production workshops to reduce noise from 86 dB to 76.8 dB.

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Biodiversity Conservation

We abide by the Noise Pollution Prevention and Control of Environmental Noise Pollution Law of the People’s Republic of China (《中華人民共和國噪聲污染防治法》) and formulate the C’estbon Ecological Protection and Management Guides (《華潤怡寶生態保護管理指南》), which aims to reduce interference and pollution of the ecological environment as much as possible in production and construction activities, fully considering and evaluating the potential impact on the environment and biodiversity when selecting the factory sites, being mindful of pollution prevention and control in the production process and maintaining the ecological balance of the perimeter. During the production and construction period, we have actively adopted diverse comprehensive control measures to prevent and reduce the adverse impact on the environment and ecosystems at all stages of the project life cycle.

Climate Change and Response

We are aware of the adverse impact of global climate change on economic and social development. The major risks posed by climate change to our business include physical risks and transformation risks, among which, physical risks mainly arise from the risks of physical impacts that may be caused by extreme weather, such as heavy rainfall or natural disasters such as floods and drought, which may disrupt or interrupt logistics and transport as well as production and maintenance, and floods and other factors affecting the water resources which may also adversely affect the cost of production of our products. In this regard, we have formulated policies and contingency measures, such as the Emergency Response Plan (《緊急響應處理方案》), to minimize the risk and impact of business interruption by controlling physical climate risks. In addition, the global low-carbon transformation policy and market preference may also cause additional policy compliance costs and technology transformation investment costs for us. In this regard, we have also adopted the strategy of setting carbon reduction targets and implementing carbon reduction measures to cope with the transformation risk.

Environment Protection Publicity

We attach importance to publicizing to the public the new concept of recycling and sustainable development and launching public education on plastic bottle recycling. We launched the “Waste Material Re-born Program” (“寶貝重塑計劃”) through creating a “sustainable garden” plant and carrying out plastic bottle recycling, interactive co-creation activities in the community, to display plastic bottles made of a sense of design and fashion. The project allows the public to understand the recycling of plastic bottles, and promotes the participation of the whole society in the recycling of plastic bottles. We have been awarded the 2023 “Spirit of Embroidery” Industry Model for our “Waste Material Re-born Program,” and included in South Reviews’ “100 Innovative Cases for a Better Society” casebook. In 2023, in response to activities such as National Low Carbon Day and World Environment Day, we simultaneously launched a “Low carbon” publicity week, covering more than 10,000 employees and enhancing their green and low carbon awareness.

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Society

Employee Rights and Well-Being

- *Compliance employment.* We firmly believe that talent is an important resource for our development. We comply with the Labor Law of the People’s Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》), the Provisions on Prohibition of Child Labor (《禁止使用童工規定》), the Law of the People’s Republic of China on Protection of Minors (《中華人民共和國未成年人保護法》) and other laws and regulations in all material aspects, and have formulated internal systems such as the Regulations on Employment Contracts and Employee Employment (《勞動合同及用工管理辦法》), the Regulations on the Management of Employee Induction and Departure (《員工入職離職管理辦法》) and the Regulations on the Management of Remuneration and Benefits (《薪酬福利管理辦法》), and have continued to standardize our employment practices and procedures, prohibit the employment of child labor, prohibit harassment/abuse of employees and oppose the use of forced labor. When signing labor contracts with employees, we clarify the rights and obligations of employers and employees. We also promptly grasp clues on issues related to forced labor by setting up open complaint channels and launching internal audits to help us protect the rights and interests of our employees. As of December 31, 2023, the Company was not involved in any cases of child labor or forced labor.
- *Talent retention and development.* We are committed to investing in training and career development programs and have established a tiered and categorized training system covering management, sales and marketing, skills, technology and other talents. We have also continued to optimize our position ranking system, and have revised and improved a series of training and promotion policies, including the Regulations on Employee Training (《員工培訓管理辦法》) and Employee Promotion, Transfer and Removal Regulations (《員工晉升、調動、免職管理規定》), to provide organizational guarantees for employees’ career development. During the Track Record Period, we invested more than RMB20 million in the field of employee training, with a cumulative total of over 190,000 training attendances. In addition, in order to strengthen our occupational health and safety management, we customized our production safety education activities with the job characteristics and employee levels as well as implementing specialized production safety training. In 2023, our safety production training coverage rate was 100%, with a more than 370,000 training hours cumulated.
- *Diversity, equality and inclusion.* We adhere to the “people-oriented” development strategy, emphasizing the personal development and welfare of our employees, and promoting diversity and equal opportunities. We are committed to not affecting the hiring of employees based on their ethnicity, gender, age, background, religious beliefs and other personal differences, insisting on the protection of equal employment opportunities for migrant workers and people with disabilities, promoting the inclusion of retired servicemen and women in employment, and supporting all employees to achieve personal career development. Our workforce comprises people of over 20 ethnic groups, spread across the country and from diverse industry backgrounds. As of December 31, 2023, more than 36% of our total workforce consisted of female employees.

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- *Employee care and well-being.* We implement and oversee the employee care system. We not only provide our employees with a fair and competitive compensation and benefits system, but also provide a wide range of financial and resource support to safeguard their physical and mental health. We enrich the leisure life of employees through diversified cultural and sports activities, and we also set up an “Employee Mutual Aid Fund” to provide timely relief to families of employees suffering from major illnesses and accidents. As of December 31, 2023, the project had supported over 190 employees and their families and granted funds of more than RMB5 million.

Community Engagement

We are committed to fulfilling our social responsibility and contributing to the wider community. Over the years, we have been committed to charitable causes and actively participated in charitable activities and have taken the following measures to fulfill our social responsibilities.

- *“Hundred Libraries Plan”:* The project aims to donate libraries to primary and secondary schools in regions lacking educational resources and is a long-term, sustainable rural revitalization type of voluntary service project. Launched in 2007, the “Hundred Libraries Plan” has been carried out for 17 consecutive years as of December 31, 2023, reaching out to 20 provinces, five autonomous regions and three municipalities directly under the Central Government, donating and completing a total of 240 libraries for public welfare, collecting more than a million books and benefiting more than a million children, which has been widely recognized and praised by society. In 2022, the “Hundred Libraries Plan” won the “Silver Award of the 6th China Youth Volunteer Service Project Competition.” In 2023, the “Hundred Libraries Plan” was honored with the “Annual Public Welfare Endeavor Award” at the Southern Weekly 2023 Dream Builders Public Welfare Congress and in the same year, the “Rural Revitalization Music Classroom Project” was honored with the 2023 Beautiful Public Welfare Conference — Annual Beautiful Voice in recognition of our efforts.
- *Active participation in disaster relief:* Relying on the “Disaster Relief Public Quick Response Mechanism,” we actively participate in public welfare undertakings, especially in disaster relief, and we have a comprehensive disaster relief and emergency plan, including donations to the areas affected by earthquakes, floods and other disasters. For example, in 2022, we donated more than 58,000 boxes of purified water, beverages and supplies to earthquake and flood stricken areas such as Ya’an and Aba in Sichuan Province, Qingyuan and Shaoguan in Guangdong Province, and other cities with guaranteed supply needs across the country. As of December 31, 2023, the Company has participated in the relief of earthquakes, floods and other disasters in the country more than 200 times, donating more than 420,000 boxes of packaged drinking water and beverages, and is committed to delivering safe drinking water to people in need when disasters occur and we continuously support charitable causes in partnership with all sectors of society to effectively fulfill our social responsibilities.

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- *Continuing to provide public service:* Established in early 2022, the “C’estbon+X” project aims to actively promote the building of a common platform for public service, the development of resources and the sharing of results. We rely on our volunteer teams to carry out a variety of voluntary service activities such as low-carbon environmental protection. In addition, we provide free drinking water to outdoor workers and high school students through public service activities and community interaction.

PROPERTIES

Our corporate headquarters is located at Shenzhen, Guangdong Province, China. As of the Latest Practicable Date, all of our production plants were located in China.

As of the Latest Practicable Date, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of the Latest Practicable Date, we use 20 parcels of land with an aggregate area of approximately 1,764,191.92 sq.m, and an aggregate gross floor area of approximately 588,467.005 sq.m. of buildings in China, which were primarily for production and warehousing purposes. As of the Latest Practicable Date, 7 sites of buildings we owned, with an aggregate gross floor area of approximately 546,722.31 sq.m., were under construction.

As of the Latest Practicable Date, we had not obtained the land use right certificate for a parcel of land with an aggregate area of approximately 8,703.03 sq.m. in our Yonglong Factory (the “**Yonglong Lands**”), accounting for 0.49% of the land owned by us. As a result, we had not obtained the building ownership certificates and the planning and construction certificates for the buildings built thereon, with an aggregate gross floor area of approximately 5,437.80 sq.m (the “**Yonglong Buildings**”). Such title defects were historical issues because we acquired the Yonglong Factory (including the Yonglong Lands and Yonglong Buildings) from a third-party company in 2010, at which time the entire factory was built on a temporary construction land. After the original authorization for the temporary construction land expired in June 2015, we were notified by the relevant government authorities to return the Yonglong Lands and restore them to their original condition, and we had been in continuing communication with the relevant government authorities to resolve the defects. As advised by our PRC Legal Advisor, we may face the risks of: (i) being requested to rectify such incidents, demolish the buildings and facilities on the Yonglong Lands and restore them to their original condition; and (ii) paying penalties for the violation of relevant laws and regulations.

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We have communicated with relevant competent governmental authorities, confirming that: (i) there is no legal obstacle for us to obtain the land use right of the Yonglong Lands, and (ii) provided that we maintain the current status of the Yonglong Buildings before finalizing and implementing the plan for obtaining land use rights with the relevant government authorities, the risk of us being required to demolish the Yonglong Buildings and restore them to the original condition is remote. As of the Latest Practicable Date, we had not been subject to any penalties by the relevant competent government authorities because of the abovementioned defects of the Yonglong Lands and Yonglong Buildings. Based on the above, our PRC Legal Advisor is of the view that the risk of us being subject to any material administrative penalties by relevant governmental authorities is low, if we maintain the status quo of the Yonglong Lands and the Yonglong Buildings before finalizing and implementing the plan for obtaining land use rights in accordance with the requirements of the relevant government authorities.

Our Directors believe that the defects of Yonglong Lands and Yonglong Buildings would not materially and adversely affect our business, results of operations and financial condition, based on the following: (i) as a result of our strategic production capacity expansion in recent years, the Yonglong Factory supplied for internal production only and contributed an insignificant amount of production volume during the Track Record Period; (ii) if we are ordered to suspend our production at the Yonglong Lands, through adjusting the production schedules of our other factories as well as collaborating with our Cooperative Manufacturing Partners, our general production activities will not be materially disrupted; and (iii) given our diversified product offerings as well as the efforts to develop new products, the temporary suspension of the production of any single SKU in Yonglong Factory will not materially and adversely affect our business operations.

To prevent any recurrence of similar incidents in future, we have established and implemented both preventive and remedial measures to ensure our compliance with regulations in relation to obtaining requisite certificates or completion of relevant procedures for our use of real properties in the future: (i) we plan to provide regular training on applicable legal and regulatory requirements in relation to the use of real properties to our senior management; (ii) prior to the commencement of the operation or the acquisition of a new factory, a designated person shall ensure all requisite approvals and permits have been obtained; and (iii) throughout the stages of construction and production, we and our factories will sustain proactive engagement with local regulatory bodies to ensure that our operations, encompassing production, construction, and associated facilities, adhere to regulatory compliance at all times.

Leased Properties

As of the Latest Practicable Date, we leased 80 buildings in China with an aggregate gross floor area of approximately 20,395.85 sq.m., which were primarily used for office purposes. See "Risk Factors — Failure to comply with PRC property-related laws and regulations regarding certain of our owned and leased properties may adversely affect our business."

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LICENSES, APPROVALS AND PERMITS

We are required to maintain various licenses, approvals and permits to operate our business. Our material licenses and permits include food production permits and food trading permits (or record filings). We have designated department responsible for overseeing the compliance with the relevant laws and regulations on licenses, permits and approvals in order to ensure that we have all such licenses, permits and approvals as are necessary to operate our business. See "Regulatory Overview."

As of the Latest Practicable Date, we are in the process of applying for the Fire Safety Inspection Approval and in the process of preparing the application for the Permit for Water Discharge into the Drainage Network, the Pollution Discharge Permit and the Inspection and Acceptance of the Completed Environmental Protection Facilities for a self-owned factory. Based on the interviews with relevant competent government authorities, our PRC Legal Advisor is of the view that (i) subject to the relevant facilities meeting the requirements of the competent departments, there is no material legal impediment for us to obtain such approvals, permits or complete such inspections; (ii) we are allowed to continue our production activities at the factory; and (iii) before obtaining such approvals, permits or completing such inspections, the risk of us being subject to any material administrative penalties by relevant government authorities for lack of such approvals, permits or inspections is low.

In addition, for one of our self-owned factories, due to the adjustment of planning of the ecological administrative control area, the application for the approval of environmental impact assessment for the construction of certain of its production lines has yet to be made, pending such governmental adjustment. After an interview with relevant competent governmental authorities, our PRC Legal Advisor is of the view that (i) subject to compliance with local environmental protection policies and the requirements of the competent departments, there is no material legal impediment for us to obtain such approval; (ii) we are allowed to continue our production activities and operations at this factory; and (iii) the risk of us being subject to material administrative penalties by relevant governmental authorities in relation to the aforesaid incidents is low.

As of the Latest Practicable Date, as advised by our PRC Legal Advisor, except as otherwise disclosed in this Document, we had obtained all material licenses and permits required for our business operations in the PRC, and such licenses and permits had remained in full effect.

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LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

From time to time, we may become involved in legal proceedings in the ordinary course of our business. See “Risk Factors — We may be subject to litigation and other legal proceedings, and may not always be successful in defending ourselves against such claims or proceedings.” During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material incidents of non-compliance. Our Directors are of the view that we had complied, in all material respects, with all relevant laws and regulations in the PRC during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. We have established risk management systems with relevant policies and procedures that we believe are appropriate for our business operations. Our policies and procedures relate to managing our procurement and production, as well as monitoring our sales performance and product quality.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have adopted, or will continue to adopt, among other things, the following risk management measures:

- establish an Audit Committee to review and supervise our financial reporting process and internal control system. For the qualifications and experience of the committee members, see “Directors and Senior Management”;
- adopt various policies to ensure compliance with the Listing Rules, including, but not limited to, aspects related to risk management and connected transactions;
- provide training periodically to our senior management and employees on professional behavior requirements and ethics standards to enhance their knowledge and compliance with applicable laws and regulations, and include relevant policies against non-compliance in our employee discipline measures and supervision guidelines;

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- organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong;
- enhance our reporting and records system for production facilities, including centralizing their quality control and safety management systems and conducting regular inspections of the facilities;
- establish a set of emergency procedures in the event of major quality-related issues; and
- provide enhanced training programs on quality assurance and product safety procedures.

To ensure the above compliance culture is embedded into everyday workflow and set the expectations for individual behavior across the organization, we will regularly review our risk management policies and internal management procedures, adopt strict accountability internally and conduct compliance training.

Data Privacy Policy

Sales and delivery of products through e-commerce platforms involve certain customer privacy information, such as personal information, contact information and user addresses. We maintain supply relationships with e-commerce platforms, under which circumstance both us and the e-commerce platforms are collaterally responsible for the operation of online stores and sales of products, while the e-commerce platforms are responsible for the delivery of products, and we do not have access to their customers' private information. We also sell our products through self-owned online stores on certain e-commerce platforms, under which circumstances we have access to customers' network identity information, addresses and encrypted contact information through the store operation system on the corresponding e-commerce platform. Such information is used for account registration and product delivery purposes. Based on the privacy protection rules of the corresponding e-commerce platforms, we can only obtain limited information about customers through the store operation system and have read-only access. In addition, for our self-owned online stores, if consumers wish to register as members of our store and enjoy special membership benefits, they are required to acknowledge and confirm the provisions of our relevant privacy policy upon registration, under which circumstance we can capture the basic information of members for marketing outreach purposes. We highly value the protection of the privacy and personal information of our customers, and also treat and process customers' personal information with high prudence. We have institutional and technical safeguards to ensure information security. We comply with the international information security management system standard (ISO27001) and the national standard (GB/T22080-2016), and accordingly deploy behavior control, firewalls and anti-virus software. In addition, with database audits, high-strength firewalls and security reinforcement provided by established security vendors, we regularly organize tests and perform security

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scans on our systems. We have also formulated the C'estbon Information Security Management Strategy Manual, which requires our employees to abide by information security regulations, in order to ensure the safety of the relevant information involved in the business operations.

AWARDS AND RECOGNITIONS

As of the Latest Practicable Date, we hold prominent positions as the Vice Chairman of the China Beverage Industry Association (中國飲料工業協會), the Natural Mineral Water Sub-Association of the China Beverage Industry Association (中國飲料工業協會天然礦泉水分會) and the Guangdong Province Bottled Drinking Water Industry Association (廣東省瓶裝飲用水行業協會). In addition, we are members of over 30 professional industry associations (including their sub-associations), including the technical working committee (中國飲料工業協會技術工作委員會) and the mineral water professional committee of the China Beverage Industry Association. During the Track Record Period, we also received awards and recognition in respect of our products, technology and innovation, significant ones of which are set forth below:

| Award/Recognition | Award Year | Awarding Institution/ Authority |
|---|------------|--|
| Letter of Appreciation from the Chinese Sports Delegation of the Tokyo Summer Olympics (“東京夏季奧運會中國體育代表團感謝信”) | 2021 | The Chinese sports delegation of the Tokyo Summer Olympics (“東京夏季奧運會中國體育代表團”) |
| Letter of Appreciation from the Chinese Sports Delegation of the Beijing Winter Olympics (“北京冬季奧運會中國體育代表團感謝信”) | 2022 | The Chinese sports delegation of the XXIV Winter Olympics (第二十四屆冬奧會中國體育代表團) |
| Supplier for the 14th National Games of China (“中華人民共和國第十四屆運動會供應商”) | 2021 | The Organizing Committee of the 14th National Games of China (“第十四屆全國運動會組織委員會”) |
| Letter of Appreciation from the Hong Kong Sports Delegation of the 14th National Games of China (“第十四屆全運會香港體育代表團感謝信”) | 2021 | The Hong Kong Sports Delegation of the 14th National Games of China (“第十四屆全運會香港體育代表團”) |
| 30 Years Evergreen Companies in China’s Beverage Industry (“中國飲料行業30年常青藤企業”) | 2023 | China Beverage Industry Association (“中國飲料工業協會”) |

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| Award/Recognition | Award Year | Awarding Institution/ Authority |
|--|---------------|--|
| Silver Award of the 6th China Youth Volunteer Service Project Competition (“第六屆中國青年志願服務項目大賽銀獎”) | 2022 | The Communist Youth League of China (“共青團中央”) and the Office of the Central Guidance Commission of Building Spiritual Civilization (“中央文明辦”), etc. |
| Five-star Rating for C’estbon’s Sustainable Development Report (“怡寶可持續發展報告五星級評級”) | 2021, 2022 | China Corporate Social Responsibility Report Rating Expert Committee (“中國企業社會責任報告評級專家委員會”) |
| 2022 Outstanding Enterprise in Practicing Social Responsibility in China’s Beverage Industry (“2022中國飲料行業實踐社會責任優秀企業”) | 2022 | China Beverage Industry Association (“中國飲料工業協會”) |
| Nanfang Daily Nanfang Tribute — Annual Artisan Enterprise (“南方日報南方致敬—年度匠心企業”) | 2022, 2023 | Nanfang Daily (“南方日報”) |
| 2023 Beautiful Public Welfare Conference — Annual Beautiful Voice (“2023年美好公益大會—年度美好發聲”) | 2023 | New Weekly (“新周刊”) |
| Southern Weekly 2023 Dream Builders Public Welfare Congress — Annual Public Welfare Endeavor Award (“南方週末2023築夢者公益大會—年度公益進取獎”) | 2023 | Southern Weekly (“南方週末”) |
| Consumers’ choice for the decade – Leap Growth Award (“消費者十年之選-飛躍增長獎”) | 2022 | Kantar Worldpanel (“凱度消費者指數”) |

CONNECTED TRANSACTIONS

OVERVIEW

We have, in our ordinary and usual course of business, entered into a number of transactions with certain entities that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon [REDACTED]. Such transactions will continue after the [REDACTED] and will therefore constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

We have entered into a number of transactions with CR Holdings and its associates that will become our connected persons (as defined under Chapter 14A of the Listing Rules) upon [REDACTED], including:

| Connected Persons | Connected Relationship |
|--|--|
| CR Holdings | CR Holdings is one of our Controlling Shareholders, holding [REDACTED]% of our equity interests upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised) |
| CR Chemical | CR Chemical is indirectly held as to approximately 81.3% by China Resources Company Limited, which indirectly owns 100% equity interests in CR Holdings |
| CR Power | CR Power is indirectly held as to approximately 62.9% by China Resources Company Limited, which indirectly owns 100% equity interests in CR Holdings |
| CR Digital Holdings Co., Ltd. (華潤數科控股有限公司) (“ CR Digital Holdings ”) | CR Digital Holdings is wholly owned by China Resources Company Limited, which indirectly owns 100% equity interests in CR Holdings |
| Shenzhen Runzhi Urban Construction Management Co., Ltd. (深圳市潤置城市建設管理有限公司) (“ Shenzhen Runzhi ”) | Shenzhen Runzhi is wholly owned by China Resources Land Limited (a company listed on the Stock Exchange (stock code: 1109), which is indirectly owned by CR Holdings |
| China Resources Bank of Zhuhai Co., Ltd. (珠海華潤銀行股份有限公司) (“ CR Bank ”) | CR Bank is indirectly held as to approximately 49.8% by China Resources Company Limited, which indirectly owns 100% equity interests in CR Holdings |

CONNECTED TRANSACTIONS

SUMMARY OF OUR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

| Nature of transactions | Counterparty | Proposed Annual Caps | | | Applicable Listing Rules | Waiver Sought | |
|---|--|--|--------------|--------------|--------------------------|---|--|
| | | For the years ending December 31, | | | | | |
| | | <i>(RMB million)</i> | | | | | |
| | | 2024 | 2025 | 2026 | | | |
| Non-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements) | | | | | | | |
| 1. Provision of packaged drinking water and beverage products and procurement of related promotion service | Provision of packaged drinking water and beverage products Procurement of related promotion service | CR Holdings and its associates | 66 17 | 71 18 | 77 20 | 14A.34, 14A.35, 14A.53, 14A.76, 14A.105 | Announcement requirement |
| 2. Procurement of IT and business travel services | Procurement of IT services Procurement of business travel services | CR Digital Holdings and its associates | 50 49 | 55 57 | 60 67 | 14A.34, 14A.35, 14A.53, 14A.76, 14A.105 | Announcement requirement |
| 3. Cooperation on integrated energy projects | | CR Power and its subsidiaries | 44 | N/A | N/A | 14A.34, 14A.35, 14A.53, 14A.76, 14A.105 | Announcement requirement |
| Non-exempt continuing connected transactions (subject to reporting, annual review, announcement and independent Shareholders' approval requirements) | | | | | | | |
| 4. Procurement of PET materials | | CR Chemical and its associates | 1,588 | 1,765 | 2,013 | 14A.34, 14A.35, 14A.36, 14A.53, 14A.76, 14A.105 | Announcement and independent Shareholders' approval requirements |
| 5. Procurement of construction management services | | Shenzhen Runzhi and its associates | 1,080 | 1,160 | 1,060 | 14A.34, 14A.35, 14A.36, 14A.53, 14A.76, 14A.105 | Announcement and independent Shareholders' approval requirements |
| 6. Procurement of deposit and other related services | The maximum daily balance of deposit | CR Bank | 2,500 | 2,500 | 2,500 | 14A.34, 14A.35, 14A.36, 14A.53, 14A.76, 14A.105 | Announcement, independent Shareholders' approval requirements |

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW AND ANNOUNCEMENT REQUIREMENTS

In our ordinary and usual course of business, we have entered into the following transactions which, as our Directors currently expect, 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% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

1. Provision of packaged drinking water and beverage products and procurement of related promotion service

Parties

CR Holdings (for itself and on behalf of its associates); and

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a framework agreement with CR Holdings on [●] (the "**Provision of Packaged Drinking Water and Beverage Products and Related Promotion Service Framework Agreement**"), pursuant to which our Group may from time to time supply to CR Holdings and/or its associates packaged drinking water and beverage products, and certain associates of CR Holdings may provide promotion service for sales of our packaged drinking water and beverage products in their retail outlets, which is similar to our sales arrangements with other customers.

The initial term of the Provision of Packaged Drinking Water and Beverage Products and Related Promotion Service Framework Agreement shall commence on the [REDACTED] until December 31, 2026, subject to renewal by mutual consent and compliance with all applicable laws and regulations.

We will separately enter into specific agreements with CR Holdings and/or its associates which will set out the specific terms and conditions, including types of products, quantity and quality required, fees and payment methods of the products provided by us and/or promotion services provided by CR Holdings and/or its associates.

Pricing terms

The prices for our packaged drinking water and beverage products supplied to CR Holdings and/or its associates shall be generally in line with the prices as we offer to other Independent Third Parties under the same sales channels in the ordinary and usual course of business.

The prices for the related promotion service shall be determined on an arm's length basis by the parties with reference to the then prevailing market price of similar nature and terms, as well as the price of promotion service available from Independent Third Parties under similar pricing arrangement. The terms are to be no less favourable to our Group than those available to Independent Third Parties under the same conditions for transactions between our Group or CR Holdings and/or its associates.

CONNECTED TRANSACTIONS

Reasons for the transactions

We are a leading packaged drinking water and beverage company in the PRC with a wide range of product categories. CR Holdings and/or its associates procured our products in the ordinary course of business primarily for further sales in their premises, such as supermarkets and cinemas. For example, China Resources Vanguard (Hong Kong) Company Limited (華潤萬家(香港)有限公司) (“**CR Vanguard**”), a subsidiary of CR Holdings, is primarily engaged in the operation of supermarket chains. CR Vanguard and its subsidiaries procured our packaged drinking water and beverage products for further sales in their supermarkets.

In addition, CR Holdings’ associates, in particular CR Vanguard and its subsidiaries, periodically hold marketing and promotion events for packaged drinking water and beverage products sold in their retail outlets in their ordinary course of business. We typically cooperate with their offline retail outlets for promotion of our packaged drinking water and beverage products.

Historical amounts

Set out below are the historical transaction amounts for the above mentioned provision of packaged drinking water and beverage products and procurement of related promotion services during the Track Record Period:

| | For the year ended December 31, | | |
|---|---------------------------------|------|------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB million)</i> | | |
| Provision of packaged drinking water and beverage products ⁽¹⁾ | 86 | 82 | 62 |
| Procurement of related promotion service ⁽²⁾ | 22 | 27 | 16 |

Notes:

- (1) The decrease in transaction amounts for provision of packaged drinking water and beverage products from 2021 to 2023 was primarily caused by decreasing procurement from CR Holdings and/or its subsidiaries, especially CR Vanguard primarily due to (i) the impact of the COVID-19; and (ii) CR Holdings and/or its subsidiaries’ adjustment of their sales strategies and channels as a result of consumers’ diversified needs on consumption channels.
- (2) The fluctuation of the transaction amounts for procurement of related promotion service during the Track Record Period was primarily due to the business need for promotion services with reference to our then promotion strategies.

CONNECTED TRANSACTIONS

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Provision of Packaged Drinking Water and Beverage Products and Related Promotion Service Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

| | For the year ending December 31, | | |
|--|----------------------------------|------|------|
| | 2024 | 2025 | 2026 |
| | <i>(RMB million)</i> | | |
| Provision of packaged drinking water and beverage products | 66 | 71 | 77 |
| Procurement of related promotion service | 17 | 18 | 20 |

The above proposed annual caps are determined with reference to:

- (a) the historical transaction amounts for the above mentioned provision of packaged drinking water and beverage products and procurement of related promotion services during the Track Record Period;
- (b) the expected more diversified products offered to CR Holdings and/or its associates in the three years ending December 31, 2026;
- (c) the increasing demand of our packaged drinking water and beverage products due to the expected growth in the packaged drinking water and beverage industry and the expected demand from CR Holdings and/or its associates to meet its expected business development needs since 2024; and
- (d) the expected business needs of promotion activities to be held by CR Holdings and/or its associates along with the expected growth of sales of our packaged drinking water and beverage products since 2024.

2. Procurement of IT and business travel services

Parties

CR Digital Holdings (for itself and on behalf of its associates); and

Our Company (for itself and on behalf of its subsidiaries)

CONNECTED TRANSACTIONS

Principal terms

We entered into a procurement of IT and business travel services framework agreement with CR Digital Holdings on [●] (the “**Procurement of IT and Business Travel Services Framework Agreement**”), pursuant to which:

- (a) our Group may from time to time procure from CR Digital Holdings and/or its associates various IT services including but not limited to (i) maintenance services for generic applications and operating systems, including daily maintenance, procurement of software, and licensing of software; (ii) specific implementation services, including implementation of unified application systems; (iii) information technology infrastructure, cloud platforms, hardware and software, and technical support services for the digitalisation of traditional resource pool; and (iv) other IT services; and
- (b) our Group may use online business travel platform designated by CR Digital Holdings and/or its associates to purchase various business travel services including but not limited to (i) enquiry, booking, cancellation and changing of flight tickets, accommodations, train tickets and ride-hailing services; (ii) sourcing and management of related independent third party service providers for enquiry, booking, cancellation and changing of flight tickets, accommodations, train tickets and ride-hailing services by the Group and its affiliates; (iii) customer service, including but not limited to the provision of a hotline for the handling of enquiry, complaints, emergencies, compiling and reporting of related business data, and conducting customer satisfaction surveys at regular intervals; and (iv) other related business travel services.

The initial term of the Procurement of IT and Business Travel Services Framework Agreement shall commence on the [REDACTED] until December 31, 2026, subject to renewal by mutual consent and compliance with all applicable laws and regulations.

We will separately enter into specific agreements with CR Digital Holdings and/or its associates which will set out the specific terms and conditions, including types of services required, fees and payment methods.

Pricing terms

IT services

Similar to other companies within the CR Group, our Group has been utilising certain common systems, software and services in daily operations for in-time communications and cooperations within the CR Group, and such common systems, software and services are developed and maintained by CR Digital Holdings. For IT services in relation to these common systems, software and services applied in our daily operations, the consideration shall be determined on an arm’s length basis by the parties taking into account the types and quality of the services. As such systems and software are consistently applied within CR Group, the pricing terms provided by CR Digital Holdings will be generally in line with those provided by CR Digital Holdings to other companies within the CR Group for similar services provided by CR Digital Holdings with reference to our utilization of these systems and software.

CONNECTED TRANSACTIONS

For procurement of systems, software and services involving data security, the consideration shall be determined on an arm's length basis by the parties with reference to the prevailing market price of similar nature and terms and workload involved for providing such IT services. For other IT services under the Procurement of IT and Business Travel Services Framework Agreement, the consideration shall be determined on an arm's length basis by the parties with reference to the prevailing market price of similar nature and terms, workload involved for providing such IT services, the availability and compatibility of the systems, software and services provided, as well as the prices of IT services available from Independent Third Parties through bidding process. The terms are to be no less favourable to our Group than those for transactions between our Group and Independent Third Parties under the same conditions.

Business travel services

For business travel services under the Procurement of IT and Business Travel Services Framework Agreement, the Group's employees will send their travel requests for services on online business travel platform designated by CR Digital Holdings and/or its associates from time to time, and CR Digital Holdings and/or its associates will charge the actual costs plus a service fee for the enquiry, booking, cancellation and changing of flight tickets, accommodations, train tickets and ride-hailing services as set forth in the Procurement of IT and Business Travel Services Framework Agreement. The service fee is determined with reference to the commission rate charged by certain other independent third party service provider. The costs of the tickets or accommodations to be charged by independent third party service providers will be collected by CR Digital Holdings and/or its associates first for further payment to these service providers.

Reasons for the transactions

IT services

Our Group has been utilising certain common systems, software and services in our daily operations, such as remuneration claiming system or messaging software for in-time communications within the CR Group, which are applied consistently for companies within CR Group. Such common systems, software and services are all developed and maintained by CR Digital Holdings. According to the CIC Report, it is not uncommon to have such arrangement among the state-owned enterprise group. Meanwhile, systems, software and services involved data security are typically developed and maintained by CR Digital Holdings for our Group. In addition, our Group has also been utilising certain platforms and software catering to our Group's own business needs, which are also developed and maintained by CR Digital Holdings. CR Digital Holdings has considerable experience in enterprise management, internet of things, big data, artificial intelligence, blockchain and cloud computing. The cooperation with CR Digital Holdings enables our Group to ensure a steady source of IT services which are of reliable quality and confidentiality without placing our Group's resources at risk.

CONNECTED TRANSACTIONS

Business travel services

The employees of the Group attend business trips frequently and there is a high demand for business travel services throughout the year. Under the Procurement of IT and Business Travel Services Framework Agreement, the Group will be able to centralize and group all orders from its employees, and purchase in bulk from the independent third party service providers through utilising CR Digital Holdings’ platform. Further, the Group will be able to obtain stable business travel services from a reliable service provider. Our Directors believe that this will simplify the booking process, reduce administration costs, and lower the purchase costs.

Historical amounts

Set out below are the historical transaction amounts for the above mentioned procurement of IT services and business travel services during the Track Record Period:

| | For the year ended December 31, | | |
|--|---------------------------------|------|------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB million)</i> | | |
| Procurement of IT services ⁽¹⁾ | 20 | 38 | 44 |
| Procurement of business travel services (inclusive of service fee and the actual costs of tickets or accommodations) ⁽²⁾ | – | 13 | 40 |

Notes:

- (1) There was a significant increase in procurement of IT services in 2022 as a result of developments of new systems and platforms by CR Digital Holdings as engaged by the Company in 2022, and such systems and platforms have been operated and maintained by CR Digital Holdings since 2022.
- (2) The significant increase in procurement of business travel services was primarily due to our increasing demand in business travel services following the recovery of impact from the COVID-19.

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Procurement of IT and Business Travel Services Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

| | For the year ending December 31, | | |
|--|----------------------------------|------|------|
| | 2024 | 2025 | 2026 |
| | <i>(RMB million)</i> | | |
| Procurement of IT services | 50 | 55 | 60 |
| Procurement of business travel services. | 49 | 57 | 67 |

CONNECTED TRANSACTIONS

The above proposed annual caps with respect to the procurement of IT services are determined with reference to:

- (a) the historical transaction amounts and growth trend with respect to the procurement of IT services during the Track Record Period; and
- (b) the maintenance and enhancement of the Group’s current software and IT platforms and the expected needs for additional IT services to support our Group’s business growth, in particular our production upgrade and expansion.

The above proposed annual caps with respect to the procurement of business travel services (inclusive of service fee and the actual costs of tickets or accommodations) are determined with reference to:

- (a) the estimated increase in business travels services required by the employees of the Group following the recovery from the impact of the COVID-19. There was a significant increase in demand for business travel by the Group’s employees since the midst of 2023 and such trend is expected to continue along with the Company’s continuous development; and
- (b) the estimated increase in average price of relevant business travel service fees and the actual costs of the relevant services or tickets charged by other independent third party service providers providing flight tickets, accommodations, train tickets, and ride-hailing services.

3. Cooperation on integrated energy projects

Parties

CR Power (for itself and on behalf of its subsidiaries); and

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a framework agreement in relation to the cooperation on integrated energy projects with CR Power on [●] (the “**Integrated Energy Projects Cooperation Framework Agreement**”), pursuant to which CR Power and its subsidiaries will utilize the relevant storage and operation space and rooftops of our Group to install photovoltaic power station facilities, and supply clean energy and related services to satisfy our production needs with these power station facilities after photovoltaic power station facilities are put into operation, and our Group will make payments to CR Power and its subsidiaries for the clean energy and related services provided.

CONNECTED TRANSACTIONS

The initial term of the Integrated Energy Projects Cooperation Framework Agreement shall commence on the [REDACTED] until December 31, 2024, subject to renewal by mutual consent and compliance with all applicable laws and regulations.

We will separately enter into specific agreements with CR Power and/or its subsidiaries which will set out the specific terms and conditions, including the purchase amount, fees and payment methods.

Pricing terms

The consideration for procurement of power and integrated energy projects shall be determined based on a favourable discount applied to the prevailing market prices offered by local power stations. Such discount is determined with reference to the scale of the project and scope of the clean energy and related services provided by CR Power and/or its subsidiaries.

Reasons for the transactions

Our Group has put into operation several, and is in the process of construction of some other production facilities and factories, which require significant amount of power for daily operations. CR Power has over 20 years of experience in investments, development, operation and management of wind farms, photovoltaic power station, hydro-electric power plants and other clean and renewable energy projects and coal-fired power plants, with extensive business network nationwide. By entering into the Integrated Energy Projects Cooperation Framework Agreement with CR Power, we are able to secure stable power supply at fair, reasonable and competitive prices which are lower than those from normal local power stations, which in turn reduces the operating costs of our Group.

Historical amount

Our Group did not incur transaction amount during the Track Record Period as the photovoltaic power station facilities installed by CR Power were only put into operation in December 2023.

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Integrated Energy Projects Cooperation Framework Agreement for the year ending December 31, 2024 shall not exceed RMB44 million, which is determined with reference to:

- (a) the expected production capacities of the photovoltaic power station facilities installed by CR Power taking into account the environmental conditions; and
- (b) the estimated amount of power and clean energy and related services required for the existing production facilities of the Company, as well as the Company's current construction plan of new production facilities and factories.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS SUBJECT TO REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

We have entered into the following transaction which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, these transactions will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Procurement of PET materials

Parties

CR Chemical (for itself and on behalf of its associates); and

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a PET procurement framework agreement with CR Chemical on [●] (the "**PET Procurement Framework Agreement**"), pursuant to which our Group may from time to time purchase from CR Chemical and/or its associates PET materials for usage in our production of packing materials for our packaged drinking water and beverage products.

The initial term of the PET Procurement Framework Agreement shall commence on the [REDACTED] until December 31, 2026, subject to renewal by mutual consent and compliance with all applicable laws and regulations.

We will separately enter into specific agreements with CR Chemical and/or its associates which will set out the specific terms and conditions, including quantity and quality required, fees and payment methods.

Pricing terms

We would purchase from qualified suppliers which offered the lowest price for the PET materials to us during bidding process. The terms for transactions between our Group and CR Chemical and/or its associates are no less favourable to our Group than those available from Independent Third Parties under the same conditions.

CONNECTED TRANSACTIONS

Reasons for the transactions

We are primarily engaged in the production and sales of packaged drinking water and beverage products, and therefore are in need of PET materials for production of bottles for our packaged drinking water and beverage products. According to the CIC Report, the bottle-grade PET materials industry in China is highly concentrated with top four players accounting for approximately 80% of the bottle-grade PET production capacity, and CR Chemical is a dominant bottle-grade PET materials supplier amongst them. Transactions contemplated under the PET Procurement Framework Agreement enable us to obtain necessary materials for our production at the prevailing market price in a cost-efficient way without having to establish our own production facilities for such PET materials, which is in line with industry norm according to the CIC Report. We have a pool of qualified PET materials suppliers which include CR Chemical and other Independent Third Parties, and we select the most suitable suppliers through our standardized supplier selection bidding procedure, primarily based on their pricing terms offered.

Historical amounts

Set out below are the historical transaction amounts for the above mentioned procurement of PET materials during the Track Record Period:

| | For the year ended December 31, | | |
|---|---------------------------------|------|------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB million)</i> | | |
| Procurement of PET materials ⁽¹⁾ . . . | 537 | 833 | 929 |

Note:

- (1) The increase in procurement of PET materials from 2021 to 2023 was primarily due to (a) our increasing demand for PET materials; and (b) an increasing percentage of PET materials procured from CR Chemical and/or its associates who offered the lowest price during several bidding processes.

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the PET Procurement Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

| | For the year ending December 31, | | |
|--|----------------------------------|-------|-------|
| | 2024 | 2025 | 2026 |
| | <i>(RMB million)</i> | | |
| Procurement of PET materials | 1,588 | 1,765 | 2,013 |

CONNECTED TRANSACTIONS

The above proposed annual caps are determined with reference to:

- (a) the historical transaction amounts for the above mentioned procurement of PET materials during the Track Record Period and in particular, the proportion of PET materials procured from CR Chemical and/or its associates during the Track Record Period and the expected proportion of PET materials to be procured from CR Chemical and/or its associates out of all the qualified PET materials suppliers for the three years ending December 31, 2026;
- (b) the expected growth of the sales volume of our packaged drinking water and beverage products and therefore, the Company anticipated to have increasing demand for PET materials; and
- (c) the expected market price of the same type of PET materials for the three years ending December 31, 2026. For the purpose of estimating the annual cap calculated based on the market price of PET materials, the Company has taken into consideration that the market price of PET materials is volatile and largely correlated to the highly fluctuated crude oil price, which is in turn subject to various uncertain factors such as geopolitics, demand and supply dynamics and macroeconomic environment.

5. Procurement of construction management services

Parties

Shenzhen Runzhi (for itself and on behalf of its associates); and

Our Company (for itself and on behalf of its subsidiaries)

Principal terms

We entered into a construction management service framework agreement with Shenzhen Runzhi on [●] (the “**Construction Management Service Framework Agreement**”), pursuant to which our Group may from time to time engage Shenzhen Runzhi and/or its associates to provide construction management services for our production facilities and factories. Such construction management service includes but is not limited to management on design and construction (including safety, costs, quality, construction period), and handling of relevant procedures.

The initial term of the Construction Management Service Framework Agreement shall commence on the [REDACTED] until December 31, 2026, subject to renewal by mutual consent and compliance with all applicable laws and regulations.

We will separately enter into specific agreements with Shenzhen Runzhi and/or its associates which will set out the specific terms and conditions, including the details of the construction projects, fees and payment instalment and methods.

CONNECTED TRANSACTIONS

Pricing terms

We typically enter into project-based construction management agreements with Shenzhen Runzhi and/or its associates, pursuant to which we make payment to Shenzhen Runzhi and/or its associates for the project construction funds to be charged by sub-contractors plus services fees to be charged by Shenzhen Runzhi and/or its associates. The project construction funds, being the total amount of construction cost, will be transferred into a specific account set up by Shenzhen Runzhi and/or its associates solely for construction management purpose, and Shenzhen Runzhi and/or its associates are entrusted by our Group to make further payments to the sub-contractors procured by Shenzhen Runzhi and/or its associates. Shenzhen Runzhi and/or its associates will only charge the service fees, which are determined based on arm’s length negotiations between the parties and with reference to the prevailing market rates, and the terms are no less favorable to the Company compared to those available to other independent third party customers provided by Shenzhen Runzhi and/or its associates.

Reasons for the transactions

Considering Shenzhen Runzhi’s extensive experience, competitiveness of pricing terms, their professional quality of construction management service as well as Shenzhen Runzhi and/or its associates’ familiarities of our requirements and standards, we had therefore selected Shenzhen Runzhi and/or its associates as our service providers during the Track Record Period for provision of construction management service to our various production facilities and factories projects.

Historical amounts

Set out below are the historical transaction amounts for the above mentioned construction management services during the Track Record Period:

| | For the year ended December 31, | | |
|---|---------------------------------|------|-------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB million)</i> | | |
| Contribution to the construction funds and procurement of construction services ⁽¹⁾⁽²⁾ | – | 126 | 1,017 |

Notes:

- (1) Shenzhen Runzhi started to provide construction management services to us since 2022.
- (2) There was a significant increase in the contribution to the construction funds and procurement of construction services for the year ended December 31, 2023 as a result of our increased construction plan of new production facilities and factories in 2023 based on our business plan.

CONNECTED TRANSACTIONS

Annual caps and basis of annual caps

The maximum aggregate annual transaction amounts under the Construction Management Service Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

| | For the year ending December 31, | | |
|---|----------------------------------|-------|-------|
| | 2024 | 2025 | 2026 |
| | <i>(RMB million)</i> | | |
| Contribution to the construction funds and procurement of construction services | 1,080 | 1,160 | 1,060 |

The above proposed annual caps are determined with reference to:

- (a) the current construction plan of new production facilities and factories based on the business plan of our Group and upgrades plan for the existing production facilities. As of the Latest Practicable Date, we have entered into construction management service agreements with Shenzhen Runzhi and/or its associates and commenced construction of several ongoing construction projects, and we plan to continue to enter into additional construction management service agreements with Shenzhen Runzhi and/or its associates for our new productions facilities and factories;
- (b) the historical transaction amounts for the above mentioned construction management services as well as the service fee rate charged by Shenzhen Runzhi and/or its associates for ongoing construction projects; and
- (c) the expected increase in project construction funds and service fee rate taking into account the expected increase in construction materials and labor costs for the expected construction projects for the three years ending December 31, 2026.

6. Procurement of deposit and other related services

Parties

CR Bank; and

Our Company (for itself and on behalf of its subsidiaries)

CONNECTED TRANSACTIONS

Principal terms

We entered into a deposit and other related services framework agreement with CR Bank on [●] (the “**Deposit and Other Related Services Framework Agreement**”), pursuant to which our Group may from time to time deposit cash into CR Bank, and CR Bank will provide deposit and other related services and pay deposit interest to our Group on such deposits.

The initial term of the Deposit and Other Related Services Framework Agreement shall commence on the [REDACTED] until December 31, 2026, subject to renewal by mutual consent and compliance with all applicable laws and regulations.

Pricing terms

Any deposit and other related services provided by CR Bank under the Deposit and Other Related Services Framework Agreement will bear the same interest rate and be on the same terms and conditions as would apply to similar deposit and other related services provided by CR Bank to its other customers of the same type, and deposit interest rate(s) are determined with reference to the rate(s) published by the PBOC or such other preferred rates offered by other banks in the market.

Reasons for the transactions

When we procure deposit and other related services, we select service providers comprising connected persons and Independent Third Parties, and determine the relevant terms of procurements through our internal selection and approval process. We are not obliged to use the deposit and other related services provided by CR Bank and retain the discretion to select the deposit and other related services providers based on our business needs as well as the fees and quality of the services offered by the service providers. Currently we deposit our funds with CR Bank as well as other Independent Third Party banks.

CR Bank is a licensed bank regulated by the National Administration of Financial Regulation (國家金融監督管理總局) and headquartered in Zhuhai, the PRC. It has branches and sub-branches in different locations in the PRC where it operates and provides financial and commercial banking services. We had from time to time used the deposit and other related services provided by CR Bank during the Track Record Period, taking into account our business needs and the prices and quality of their services.

CONNECTED TRANSACTIONS

Historical amounts

Set out below are the historical transaction amounts for the above mentioned deposit and other related services during the Track Record Period:

| | For the year ended December 31, | | |
|--|---------------------------------|-------|-------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB million)</i> | | |
| The maximum daily balance of deposit | 512 | 1,786 | 1,786 |

Annual caps and basis of annual caps

The maximum annual transaction amounts under the Deposit and Other Related Services Framework Agreement for the three years ending December 31, 2026 shall not exceed the caps set out below:

| | For the year ending December 31, | | |
|--------------------------------------|----------------------------------|-------|-------|
| | 2024 | 2025 | 2026 |
| | <i>(RMB million)</i> | | |
| The maximum daily balance of deposit | 2,500 | 2,500 | 2,500 |

The above proposed annual caps are determined with reference to:

- (a) the historical amounts of the maximum daily balance of deposit for the above mentioned deposit and other related services during the Track Record Period;
- (b) current and expected future cash flow position of our Group in light of our estimated scale of business operation and demand for deposit and other related services in the future; and
- (c) the liquidity of our Group, including the cash and cash equivalents of our Group as of December 31, 2023.

CONNECTED TRANSACTIONS

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Under Rule 14A.76(2) of the Listing Rules, the transactions under the subsections headed “— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements” and “— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders’ approval requirements” will constitute our continuing connected transactions subject to those requirements under Chapter 14A of the Listing Rules.

As those 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 compliance with the announcement and the independent Shareholders’ approval requirements (as the case may be) would be impractical, and such requirements would lead to unnecessary administrative costs and would be unduly burdensome 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 (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— Non-exempt continuing connected transactions subject to the reporting, annual review and announcement requirements” in this section; and (ii) the announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in “— Non-exempt continuing connected transactions subject to reporting, annual review, announcement and independent Shareholders” in this section, 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 carried out in our ordinary and usual course of business and on normal commercial terms or better, and are fair and reasonable and in the interest 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 Company and Shareholders as a whole.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE JOINT SPONSORS

Having taken into account (i) the documentation and information provided by the Company; and (ii) due diligence conducted and discussions with the Company, the Joint Sponsors are of the view that (a) the non-exempt continuing connected transactions as set out above have been and will be carried out in the ordinary and usual course of business of our Company and on normal commercial terms or better that are fair and reasonable in the interests of our Company and the Shareholders as a whole; and (b) the proposed annual caps for those transactions are fair and reasonable and in the interest of our Company and 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 or will implement the following internal control measures in relation to the continuing connected transactions:

- (a) 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; and
- (b) 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.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

The Board of the Group consists of twelve Directors, comprising three executive Directors, five non-executive Directors and four independent non-executive Directors. The powers and duties of the Board include convening general meetings, determining the Group’s strategy plans and investment plans, formulating the Group’s annual budget and final accounts, formulating profit distributions plans as well as exercising other powers, functions and duties as conferred by our Articles.

The senior management of the Group includes six members who are responsible for the daily operation of the Company and its subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT

The table below sets forth certain information of our Directors:

| Name | Age | Position | Roles and responsibilities | Date of joining the Group | Date of appointment as a Director | Relationship with other Directors and senior management |
|--|-----|---|--|---------------------------|-----------------------------------|---|
| Mr. ZHANG Weitong (張偉通先生) | 55 | Chairman of the Board, Executive Director and President | Responsible for the overall operation and management, presiding over the work of the Board and the management level office meeting | April 3, 2000 | January 29, 2019 | None |
| Ms. FENG Jing (馮晶女士) | 54 | Executive Director | Responsible for overseeing the human resources department of the Group | October 20, 2021 | July 27, 2022 | None |
| Ms. WU Xia (吳霞女士) | 46 | Executive Director and Chief Financial Officer | Responsible for overseeing the finance department of the Group | April 17, 2024 | April 22, 2024 | None |
| Mr. LIN Guolong (林國龍先生) | 57 | Non-executive Director | Responsible for providing professional advice, opinion, and guidance to our Board | April 22, 2024 | April 22, 2024 | None |
| Mr. SUN Yongqiang (孫永強先生) | 53 | Non-executive Director | Responsible for providing professional advice, opinion, and guidance to our Board | April 22, 2024 | April 22, 2024 | None |
| Mr. XIAO Ning (肖寧先生) | 52 | Non-executive Director | Responsible for providing professional advice, opinion, and guidance to our Board | April 22, 2024 | April 22, 2024 | None |

DIRECTORS AND SENIOR MANAGEMENT

| Name | Age | Position | Roles and responsibilities | Date of joining the Group | Date of appointment as a Director | Relationship with other Directors and senior management |
|---|-----|--|---|---------------------------|-----------------------------------|---|
| Ms. CAO Yue (曹越女士) | 46 | Non-executive Director | Responsible for providing professional advice, opinion, and guidance to our Board | August 10, 2023 | August 10, 2023 | None |
| Dr. ZHAO Dian (趙典博士) | 37 | Non-executive Director | Responsible for providing professional advice, opinion, and guidance to our Board | August 5, 2022 | August 5, 2022 | None |
| Dr. CHOW Wing Kin Anthony (周永健博士) | 73 | Independent Non-executive Director | Responsible for supervising and offering independent judgment to the Board and serving as members of certain committees of the Board | [●] | [●] | None |
| Mr. LI Yinquan (李引泉先生) | 69 | Independent Non-executive Director | Responsible for supervising and offering independent judgment to the Board and serving as chairman/members of certain committees of the Board | [●] | [●] | None |
| Dr. YAO Yang (姚洋博士) | 59 | Independent Non-executive Director | Responsible for supervising and offering independent judgment to the Board and serving as chairman/members of certain committees of the Board | [●] | [●] | None |
| Ms. CHENG Po Chuen (鄭寶川女士) | 52 | Independent Non-executive Director | Responsible for supervising and offering independent judgment to the Board and serving as members of certain committees of the Board | [●] | [●] | None |

DIRECTORS AND SENIOR MANAGEMENT

Members of the senior management of our Group include the following:

| Name | Age | Position | Roles and responsibilities | Date of joining the Group | Date of appointment as a senior management | Relationship with Directors and other senior management |
|--|-----|---|--|---------------------------|--|---|
| Mr. ZHANG Weitong (張偉通先生) | 55 | Chairman of the Board, Executive Director and President | Responsible for the overall operation and management, presiding over the work of the Board and the management level office meeting | April 3, 2000 | December 31, 2018 | None |
| Mr. WANG Chengwei (王成偉先生) | 51 | Vice President | Responsible for overseeing the strategic management department, legal department and intelligence and digitalization department of the Group | August 2, 2009 | June 8, 2011 | None |
| Ms. LIU Mingfang (劉明芳女士) | 46 | Vice President | Responsible for overseeing the sales and marketing center of the Group | October 31, 2000 | June 19, 2017 | None |
| Mr. YANG Nan (楊楠先生) | 53 | Vice President | Responsible for overseeing the quality and environmental safety department and the production center of the Group | November 10, 2014 | June 19, 2017 | None |
| Mr. FAN Yufeng (范雨峰先生) | 42 | Vice President | Responsible for overseeing the engineering department and operation center of the Group | December 13, 2019 | December 13, 2019 | None |
| Ms. WU Xia (吳霞女士) | 46 | Executive Director and Chief Financial Officer | Responsible for overseeing the finance department of the Group | April 17, 2024 | April 17, 2024 | None |

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. ZHANG Weitong (張偉通先生), aged 55, has been acting as our President since December 2018, our Director since January 2019, the Chairman of the Board since July 2022.

Mr. Zhang joined our Group in April 2000 and successively served as a regional sales manager, a department manager, an assistant to the general manager, a vice general manager and a senior vice general manager from April 2000 to February 2018.

Before joining our Group, Mr. Zhang has served as an assistant to the general manager in Weiyuan Beverage & Food (Shenzhen) Co., Ltd. (味源飲料食品(深圳)有限公司) from October 1994 to April 2000. He served as the standing vice general manager (presiding over the work) and the general manager of China Resources Ng Fung Limited (華潤五豐有限公司) from February 2018 to December 2018.

Mr. Zhang obtained his EMBA degree from Sun Yat-sen University (中山大學) in Guangdong Province, the PRC in June 2012.

Ms. FENG Jing (馮晶女士), aged 54, has been our Director since July 2022.

Ms. Feng joined our Group in October 2021 as a vice general manager.

Before joining our Group, Ms. Feng has worked in Beijing No. 5 Semiconductor Device Factory (北京半導體器件五廠) from July 1988 to March 1989. She served in the Office of the State Organs Work Committee of the Communist Party of China (中央國家機關工委辦公室) consecutively as a staff member (科員) and a deputy chief member (副主任科員) from February 1992 to November 2000. She then worked in China Potevio Information Industry Co., Ltd. (中國普天信息產業集團公司) from November 2000 to June 2007, where she served as a vice director of office of the labor union (工會辦公室). Ms. Feng worked in Huadian Coal Industry Group Co., Ltd (華電煤業集團有限公司) from June 2007 to February 2017, where she served as the director of the supervision department (監察部主任). She served in China Huadian Green Energy Co., Ltd. (中國華電集團清潔能源有限公司) from February 2017 to July 2018 as the director of the working committee (工委主任). Ms. Feng served as the vice president of CRE Limited from July 2018 to October 2021.

Ms. Feng obtained her master's degree majoring in international politics from the Graduate School of the Party School of the Communist Party of China (中央黨校研究生院) in Beijing, the PRC in January 2006.

DIRECTORS AND SENIOR MANAGEMENT

Ms. WU Xia (吳霞女士), aged 46, was appointed as our Director and Chief Financial Officer since April 2024.

Prior to joining our Group, Ms. Wu worked in several subsidiaries of China Resources Jiangzhong Pharmaceutical Group Co., Ltd. (華潤江中製藥集團有限責任公司) (“**Jiangzhong Pharmaceutical Group**”) and responsible for accounting-related work from July 1997 to May 2009. She held several positions in Jiangzhong Pharmaceutical Co., Ltd. (江中藥業股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600750)) including the chief financial officer from April 2009 to May 2015, the secretary to the board from August 2009 to May 2012, and the vice general manager from May 2015 to June 2020. Ms. Wu served as the deputy general manager from June 2020 to April 2024 in Jiangzhong Pharmaceutical Group.

Ms. Wu obtained her master’s degree majoring in accounting in Jiangxi University of Finance and Economics (江西財經大學) in Jiangxi, the PRC in June 2010. She was qualified as a senior accountant in December 2011.

Non-executive Directors

Mr. LIN Guolong (林國龍先生), aged 57, was appointed as a non-executive Director in April 2024.

Mr. Lin served as the vice president and the chief financial officer in China Resources Sanjiu Medical & Pharmaceutical Co., Ltd. (華潤三九醫藥股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000999)) from August 2011 to July 2018. He worked in the finance department of CR Holdings from July 2018 to August 2021, with his last position as a deputy general manager. Mr. Lin has been a designated external director of the business unit of CR Holdings since August 2021 including serving as an external director of China Resources Capital Holdings Company Limited since November 2021, a non-executive Director of China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司) (a company listed on the Stock Exchange (stock code: 3320)) from September 2021 to December 2023, and a director of China Resources Double-Crane Pharmaceutical Co., Ltd. (華潤雙鶴藥業股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600062)) since October 2023.

Mr. Lin obtained his master’s degree majoring in business and administration from University of South Australia in the Australia in March 2007.

DIRECTORS AND SENIOR MANAGEMENT

Mr. SUN Yongqiang (孫永強先生), aged 53, was appointed as a non-executive Director in April 2024.

Mr. Sun successively worked in Beijing Dyestuffs Plant Co., Ltd. (北京染料廠有限責任公司) (formerly known as Beijing Dyestuffs Plant (北京染料廠)) and Beijing Haidong Air Purification Technology Development Company (北京海東空氣淨化技術開發公司) from August 1992 to September 1998. Mr. Sun joined the CR Group in November 1998, and served in China Resources Land (Beijing) Co., Ltd. (華潤置地(北京)股份有限公司) (formerly known as Beijing Huayuan Real Estate Co., Ltd. (北京市華遠房地產股份有限公司)) from November 1998 to November 2006, with his last position as a department manager of the research and development department. He served as a vice general manager in China Resources Land (Hunan) Co., Ltd. (華潤置地(湖南)有限公司) from November 2006 to July 2009, and as a general manager from July 2009 to January 2011. He has served in CR Land from January 2011 to September 2023, with his last position as a vice president. He concurrently served as a vice general manager of Hainan Development Holdings Co., Ltd. (海南省發展控股有限公司) from October 2020 to October 2022. Mr. Sun has served as a non-executive director of China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司) (a company listed on the Stock Exchange (stock code: 3320)) since December 2023.

Mr. Sun obtained his bachelor's degree in engineering majoring in thermal engineering from Dalian University of Technology (大連理工大學) in Liaoning Province, the PRC in July 1992. He was qualified as a senior economist in December 2003 and an engineer in September 1998 in the PRC.

Mr. XIAO Ning (肖寧先生), aged 52, was appointed as a non-executive Director in April 2024.

Mr. Xiao served as the deputy manager of the legal department of China Resources Company Limited (中國華潤有限公司) from August 1996 to September 2000. He started to work in China Resources Petrochemical (Group) Co., Ltd. (華潤石化(集團)有限公司) from September 2000 and held several positions including an assistant manager from September 2001 to September 2002, a manager of investment development department from October 2002 to February 2004, and a senior manager of investment development department of the investment and development department from February 2004 to June 2007. Mr. Xiao then held several positions in CR Chemical (formerly known as China Resources Chemical Holdings Co., Ltd. (華潤化工控股有限公司)) and its subsidiaries, including the assistant to general manager and a legal director. Mr. Xiao then served as the deputy general manager of CR Chemical from April 2020 to August 2022.

Mr. Xiao obtained his master's degree majoring in business administration from Xiamen University (廈門大學) in Fujian, the PRC in June 2013.

DIRECTORS AND SENIOR MANAGEMENT

Ms. CAO Yue (曹越女士), aged 46, has been our Director since August 2023.

Ms. Cao served in KPMG Huazhen LLP (畢馬威華振會計師事務所(特殊普通合伙)) as an audit manager from August 2005 to August 2013. After that, she has served in Plateau Consumer Fund, L.P..

Ms. Cao obtained her master's degree majoring in quantitative economics in June 2005 from Renmin University of China (中國人民大學) in Beijing, the PRC. Ms. Cao is a qualified member of the Chinese Institute of Certified Public Accountants. She was qualified as a Certified Internal Auditor of the PRC in November 2009.

Dr. ZHAO Dian (趙典博士), aged 37, has been our Director since August 2022.

Dr. Zhao served as a lawyer in Zhonglun Law Firm from December 2010 to June 2016. He worked as a vice president in the equity investment platform of Zhong Ou Asset Management Company Limited (中歐基金管理有限公司) from June 2016 to August 2020. After that, he has served in Plateau Consumer Fund, L.P..

Dr. Zhao obtained his doctoral degree majoring in civil and commercial law from the Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC in June 2016. Dr. Zhao obtained the PRC legal professional qualification in March 2012.

Independent Non-executive Directors

Dr. CHOW Wing Kin Anthony (周永健博士), aged 73, was appointed as our independent non-executive Director in [●].

Dr. Chow is a solicitor and admitted to practice in Hong Kong and England & Wales and a China-Appointed Attesting Officer (中國司法部委任的中國委託公證人).

Dr. Chow established the law firm Anthony W.K, Chow & Co. (周永健律師行) in September 1982 which has since become Guantao and Chow Solicitors and Notaries (觀韜律師事務所(香港)) of which he is the Senior Consultant (資深顧問). Dr. Chow served as an independent non-executive director of MTR Corporation Limited (香港鐵路有限公司) (a company listed on the Stock Exchange (stock code: 0066)) from May 2016 to May 2022, and an independent non-executive director of S.F. Holding Co., Ltd. (順豐控股股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002352)) from December 2016 to December 2022. Dr. Chow currently serves as director of a number of listed companies, including: (i) a non-executive director of the Kingmaker Footwear Holdings Limited (信星鞋業集團有限公司) (a company listed on the Stock Exchange (stock code: 1170)) since June 1994, (ii) an independent non-executive director of Ping An Healthcare and Technology Company Limited (平安健康醫療科技有限公司) (a company listed on the Stock Exchange (stock code: 1833)) since May 2018, (iii) an independent non-executive director of Beijing North Star Company Limited (北京北辰實業股份有限公司) (a company listed on the Stock

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Exchange (stock code: 588) and the Shanghai Stock Exchange (stock code: 601588)) since May 2021, and (iv) an independent non-executive director of OneConnect Financial Technology Co., Ltd (壹賬通金融科技有限公司) (a company listed on the Stock Exchange (stock code: 6638) and the New York Stock Exchange (ticker: OCFT)) since October 2020.

Dr. Chow was a Member of The National Committee of the Chinese People's Political Consultative Conference, for four sessions covering 20 years from 2003 to 2023. Dr. Chow served as the President of The Law Society of Hong Kong from 1997 to 2000, Chairman of the Process Review Panel for the SFC from 2006 to 2012, Chairman of Process Review Panel for the Financial Reporting Council from 2015 to 2020, and Chairman of The Hong Kong Jockey Club from 2018 to 2020.

Dr. Chow was awarded the Justice of the Peace in 1998 and the Silver Bauhinia Star (香港特別行政區銀紫荊星章) in 2003 by the Government of Hong Kong Special Administrative Region. He was admitted to the Honorary Fellowship (榮譽院士) of the Hong Kong Institute of Education (香港教育學院) in March 2010, the Honorary Fellowship (榮譽院士) of King's College London in July 2013, and the Roll of Honour of The Law Society of Hong Kong in 2015.

Dr. Chow was awarded a doctoral degree in social sciences honoris causa from Hong Kong Metropolitan University (香港都會大學) (formerly known as the Open University of Hong Kong (香港公開大學)) in Hong Kong in December 2018 and a doctoral degree of law honoris causa from the Hong Kong University of Science and Technology (香港科技大學) in Hong Kong in November 2021.

Mr. LI Yinquan (李引泉先生), aged 69, was appointed as our independent non-executive Director in [●].

Mr. Li served respectively as (i) the general manager of financial department, chief financial officer and vice president of China Merchants Group Limited (招商局集團有限公司), (ii) a chief executive officer of China Merchants Capital Investment Co., Ltd. (招商局資本投資有限責任公司), (iii) a director of China Merchants Port Holdings Company Limited (招商局港口控股有限公司) (formerly known as China Merchants Holdings (International) Company Limited (招商局國際有限公司)) (a company listed on the Stock Exchange (stock code: 144)), (iv) a director of China Merchants Bank Co., Ltd. (招商銀行股份有限公司) (a company listed on the Stock Exchange (stock code: 3968) and the Shanghai Stock Exchange (stock code: 600036)), and (v) a director of China Merchants China Direct Investments Limited (招商局中國基金有限公司) (a company listed on the Stock Exchange (stock code: 133)) from March 2000 to December 2017. Concurrently, Mr. Li also served as directors of a number of other listed companies, including an independent non-executive director of Sound Group Inc. (a company listed on NASDAQ (ticker: SOGP) (formerly known as Lizhi Inc.) from January 2020 to June 2021, and an independent non-executive director of Kimou Environmental Holding Limited (金茂源環保控股有限公司) (a company listed on the Stock Exchange (stock code: 6805)) from June 2019 to December 2022. Mr. Li has currently served as directors of a number of listed companies, including: (i) an independent non-executive director of Genertec

DIRECTORS AND SENIOR MANAGEMENT

Universal Medical Group Company Limited (通用環球醫療集團有限公司) (formerly known as Universal Medical Financial and Technical Advisory Services Company Limited (環球醫療金融與技術諮詢服務有限公司)) (a company listed on the Stock Exchange (stock code: 2666)) since June 2015, (ii) an independent non-executive director of Million Cities Holdings Limited (萬城控股有限公司) (a company listed on the Stock Exchange (stock code: 2892)) since June 2018, (iii) an independent non-executive director of Hong Kong Shanghai Alliance Holdings Limited (滬港聯合控股有限公司) (a company listed on the Stock Exchange (stock code: 1001)) since July 2018, (iv) an independent non-executive director of China Everbright Bank Company Limited (中國光大銀行股份有限公司) (a company listed on the Stock Exchange (stock code: 6818) and the Shanghai Stock Exchange (stock code: 601818)) since June 2020, (v) an independent non-executive director of Mainland Headwear Holdings Limited (飛達帽業控股有限公司) (a company listed on the Stock Exchange (stock code: 1100)) since September 2023, and (vi) an independent non-executive director of China Agri-Products Exchange Limited (中國農產品交易有限公司) (a company listed on the Stock Exchange (stock code: 149)) since April 2024.

Notwithstanding the fact that Mr. Li currently has independent directorship engagements with six listed companies, Mr. Li confirmed that he would devote sufficient time to act as our independent non-executive Director based on the following:

- his role in our Group is non-executive in nature and he will not be involved in the daily management of our Group's business, and thus his engagement as our independent non-executive Director will not require his full-time participation;
- he is neither a full-time member of the aforementioned listed companies nor involved in day-to-day operations or management of such companies, and thus has no management responsibility therein;
- he has maintained a high attendance rate for board meetings, committee meetings and shareholders' meetings for the aforementioned listed companies during the respective latest financial periods since his appointment date;
- with his knowledge and experience, he has not found difficulties in devoting his time to and managing his time with the listed companies where he serves as an independent non-executive director, and he is confident that with his experience in being responsible for several roles, he will be able to fulfill his duties to our Company properly; and
- none of the listed companies that he has directorship engagement with has questioned or complained about his time devoted to such listed companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li will devote sufficient time to attend to his work as an independent non-executive Director of our Group, and also, based on the foregoing, the Board does not have reason to believe that the directorships currently held by Mr. Li will result in his having insufficient time to act as our independent non-executive Director or improperly discharge his fiduciary duties as a Director of our Company.

Throughout the significant years of directorship in certain Hong Kong listed companies, Mr. Li has gained relevant experience in, including but not limited to, (i) the review and preparation of comparable and/or audited financial statements of Hong Kong listed companies; (ii) the review of internal control systems; and (iii) the analysis of financial statements and information of Hong Kong listed companies. Moreover, Mr. Li has also obtained vast experience in collaborating and dealing with internal and external auditors regarding the supervision of internal financial controls and the auditing of financial statements.

Mr. Li obtained his master's degree in economics from Research Institute of Finance of the People's Bank of China (中國人民銀行金融研究所) in Beijing, the PRC in December 1985. He obtained another master's degree in banking and finance for development from Finafrica Institute in Milan, Italy in October 1988. Mr. Li was qualified as a senior economist in the PRC in August 1989.

Dr. YAO Yang (姚洋博士), aged 59, was appointed as our independent non-executive Director in [●].

Dr. Yao currently serves as a Boya Distinguished Professor of Peking University, a professor of economics and doctoral supervisor of the National School of Development of Peking University (北京大學國家發展研究院), the director of China Center for Economic Research (中國經濟研究中心), the executive director of Institute of South-South Cooperation and Development (南南合作與發展學院), the editor in chief of China Economic Quarterly (《經濟學(季刊)》), the president of China Annual Economic Meetings (中國經濟學年會), and the president of the National Economics Foundation (當代經濟學基金會).

Dr. Yao has served as deputy dean of the National School of Development of Peking University since October 2008, and the dean of the National School of Development of Peking University from November 2012 to January 2024. He has served as the director of China Center for Economic Research of Peking University (北京大學中國經濟研究中心) since 2010.

Dr. Yao is a member of the Chinese Economists 50 Forum (中國經濟50人論壇) and has been awarded the 2008 and 2014 Sun Yefang Award in Economic Sciences (孫冶方經濟科學獎), the First Pushan Award (第一屆浦山國際經濟學獎) in 2008, the Second Pushan Award (第二屆浦山國際經濟學獎) in 2010, and the Second Zhang Peigang Development Economics Award (第二屆張培剛發展經濟學獎) in 2008. His current major research areas include new political economy and China's economic growth under open conditions.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Yao graduated from the Management Science Center of Peking University with a master's degree in economics in 1989 and graduated from the Department of Agricultural and Applied Economics at the University of Wisconsin-Madison in the United States with a doctoral degree in development economics in 1996.

Ms. CHENG Po Chuen (鄭寶川女士), aged 52, was appointed as our independent non-executive Director in [●].

Ms. Cheng served as a consultant in the business consulting division of Arthur Andersen & Co (安達信會計師事務所) from September 1994 to May 1997. She worked in the investment banking arms of DBS Asia Capital Limited (星展亞洲融資有限公司), The Hongkong and Shanghai Banking Corporation Limited (香港上海滙豐銀行有限公司) and Macquarie Group (麥格理集團) from May 1997 to August 2010, with her last position as a division director in Macquarie Capital Securities Limited (麥格理資本證券有限公司). Ms. Cheng joined the global wealth management division of UBS AG (瑞士銀行) as head of corporate advisory group in Hong Kong in September 2010, and subsequently had served there until January 2020 with her last position as a managing director. Ms. Cheng served as the chief financial officer since January 2020 and an executive director since April 2020 in Crazy Sports Group Limited (瘋狂體育集團有限公司) (formerly known as V1 Group Limited (第一視頻集團有限公司)) (a company listed on the Stock Exchange (stock code: 82)) until November 2023.

Ms. Cheng is a member of American Institute of Certified Public Accountants. She holds a bachelor degree in business administration from The University of Hong Kong (香港大學) in Hong Kong.

Save as disclosed above in this section, each of our Directors has confirmed that he/she did not hold any other directorship in any listed companies during the three years immediately prior to the date of this document, that there is no other matters concerning his/her appointment as Directors that need to be brought to the attention of our Shareholders, and that there is no other information relating to his/her appointment as Directors that needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Senior Management

For the biographical details of Mr. Zhang Weitong and Ms. Wu Xia, please refer to "Executive Directors" in this section. Biographical details of other members of the senior management are as follows:

Mr. WANG Chengwei (王成偉先生), aged 51, has been our Vice President since June 2011.

Mr. Wang joined the Group in August 2009 and served as the corporate development director (企業發展總監).

DIRECTORS AND SENIOR MANAGEMENT

Before joining our Group, Mr. Wang served in CR Group from August 1997 to August 2009, consecutively served in the human resource department, the legal department and the corporate development department, and served as a director, a manager and a senior manager of the corporate development department.

Mr. Wang obtained his master's degree majoring in legal theory from China University of Political Science and Law (中國政法大學) in Beijing, the PRC in July 1997. Mr. Wang obtained his Lawyer Qualification Certificate (律師資格證書) in the PRC in September 1995, his Registered Qualification Certificate for Enterprise Legal Adviser of PRC (中國企業法律顧問執業資格證書) in December 2015 and his Lawyer's Certificate (律師工作證) in May 2020.

Ms. LIU Mingfang (劉明芳女士), aged 46, has been our Vice President since June 2017.

Ms. Liu joined our Group in October 2000 and consecutively served as a regional sales manager and a greater regional sales director. She served as a regional general manager from January 2014 to June 2017.

Before joining our Group, Ms. Liu served as the customer manager of Shenzhen Youtianda Industrial Co., Ltd. (深圳市友田達實業有限公司) from July 1997 to August 2000.

Ms. Liu obtained a bachelor's degree majoring in economic law from Hunan Agricultural University (湖南農業大學) in Hunan Province, the PRC in June 2010.

Mr. YANG Nan (楊楠先生), aged 53, has been our Vice President since June 2017.

Mr. Yang joined the Group in November 2014 as the supply chain director.

Before joining our Group, Mr. Yang worked in China National Cereals, Oils and Foodstuffs Corporation (中糧集團有限公司) and its subsidiaries for over 20 years. He worked in COFCO Fruit, Vegetables and Aquatic Products Import and Export Corporation (中糧果菜水產進出口公司) from August 1993 to August 2000, where he served as the manager of the finance department. He served as the head of the financial department of COFCO International (Beijing) Ltd (中糧國際(北京)有限公司) from August 2000 to February 2002. He served as the vice general manager of COFCO COCA-COLA Beverages (Beijing) Limited (中糧可口可樂飲料(北京)有限公司) (formerly known as Beijing COCA-COLA Beverages Limited (北京可口可樂飲料有限公司)) from February 2002 to January 2004. He served as the group financial controller of COFCO COCA-COLA Beverages (China) Investment Ltd. (中糧可口可樂飲料(中國)投資有限公司) from January 2004 to January 2005. He subsequently served as a secretary in the secretary bureau of the board of directors and a vice general manager of the wine department of COFCO Corporation (中糧集團有限公司) from January 2005 to January 2010. He served successively as the vice general manager of the wine department, the supply chain department and the wine category management department of China Foods Limited (中國食品有限公司) (a company listed on the Stock Exchange (stock code: 506)) from January 2010 to November 2014.

Mr. Yang obtained his master's degree majoring in international accounting from University of New South Wales in Australia in November 2002. Mr. Yang was qualified as a senior economist in the PRC in December 2013.

DIRECTORS AND SENIOR MANAGEMENT

Mr. FAN Yufeng (范雨峰先生), aged 42, has joined the Group and served as a Vice President of the Group since December 2019.

Before joining our Group, Mr. Fan served in the power generation department of Jiangsu Nanre Power Generation Co., Ltd. (江蘇南熱發電有限責任公司) from August 2004 to December 2005. He then served in Nanjing China Resources Thermal Power Co., Ltd. (南京華潤熱電有限公司) from December 2005 to October 2010 as a power marketing manager of the business planning department and a vice head of power generation department. He served in CR Power, successively as a manager and a senior manager of the human resources department from October 2010 to February 2013. He successively served in the human resource department of CR Holdings from February 2013 to December 2019 as a senior manager, a professional vice director and a professional director.

Mr. Fan obtained his bachelor’s degree in thermal energy and power engineering from China University of Mining and Technology (中國礦業大學) in Jiangsu Province, the PRC in July 2004.

COMPANY SECRETARY

Mr. CHUNG Ming Fai (鍾明輝先生), aged 45 was appointed as our company secretary in April 2024.

Mr. Chung has over 19 years of experience in corporate secretary, mergers and acquisitions, financial reporting and auditing. Since June 2022, Mr. Chung has been serving in the corporate secretarial department of SWCS Corporate Services Group (Hong Kong) Limited (方圓企業服務集團(香港)有限公司), and is mainly responsible for managing the company secretarial and compliance work for companies listed on the Stock Exchange.

Mr. Chung is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. He obtained his bachelor’s degree in commerce from the Australian National University in December 2003.

BOARD COMMITTEES

In accordance with relevant PRC laws, regulations, the Articles and the corporate governance provisions prescribed in the Listing Rules, we have established the following committees under the Board: Audit Committee, Nomination Committee, Remuneration and Appraisal Committee and Strategy and Investment Committee. The committees operate in accordance with terms of reference established by the Board.

DIRECTORS AND SENIOR MANAGEMENT

Audit Committee

We have established an audit committee (“the **Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Audit Committee consists of two non-executive Director, being Mr. Lin Guolong and Ms. Cao Yue, and four independent non-executive Directors, being Dr. Yao Yang, Dr. Chow Wing Kin Anthony, Mr. Li Yinquan and Ms. Cheng Po Chuen. The chairman of the Audit Committee is Dr. Yao Yang. Mr. Li Yinquan holds the appropriate accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to [review and supervise our financial reporting process, risk management and internal control systems, and to nominate and monitor external auditors and other duties required under Appendix C1 of the Listing Rules].

Nomination Committee

We have established a nomination committee (the “**Nomination Committee**”) with written terms of reference in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Nomination Committee consists of one executive Director, being Mr. Zhang Weitong, one non-executive Director, being Dr. Zhao Dian, and three independent non-executive Directors, being Mr. Li Yinquan, Dr. Yao Yang and Ms. Cheng Po Chuen. The chairman of the Nomination Committee is Mr. Zhang Weitong. The primary duties of the Nomination Committee are to [make recommendations to the Board on the appointment and removal of Directors of the Company and other duties required under Appendix C1 of the Listing Rules].

Remuneration and Appraisal Committee

We have established a remuneration and appraisal committee (the “**Remuneration and Appraisal Committee**”) with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules. The Remuneration and Appraisal Committee consists of two non-executive Director, being Mr. Sun Yongqiang and Ms. Cao Yue, and three independent non-executive Directors, being Mr. Li Yinquan, Dr. Chow Wing Kin Anthony and Ms. Cheng Po Chuen. The chairman of the Remuneration and Appraisal Committee is Mr. Li Yinquan. The primary duties of the Remuneration and Appraisal Committee are to [evaluate the performance and make recommendations on the remuneration package of our Directors and senior management, and evaluate and make recommendations on employee benefit arrangements and other duties required under Appendix C1 of the Listing Rules].

Strategy and Investment Committee

The Company has established a strategy and investment committee (the “**Strategy and Investment Committee**”) with written terms of reference in compliance with the requirements under the Listing Rules. The Strategy and Investment Committee consists of two executive

DIRECTORS AND SENIOR MANAGEMENT

Directors, being Ms. Feng Jing and Ms. Wu Xia, three non-executive Directors, being Ms. Cao Yue, Mr. Xiao Ning and Dr. Zhao Dian, and one independent non-executive Director, being Dr. Yao Yang. The chairwoman of the Strategy and Investment Committee is Ms. Cao Yue. The primary duties of the Strategy and Investment Committee are to [(i) to conduct research and make recommendations for the long-term strategic development plans of our Company; (ii) to conduct research and make recommendations for annual investment plans which are subject to the approval of our Board; and (iii) to conduct research and make recommendations for other major investment programmes which are subject to the approval of our Board (excluding those included in the annual investment plans)].

COMPENSATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

We offer our executive Directors and senior management members, who are also the Company's employees, various compensation in the form of fees, salaries, retirement benefit scheme contributions, discretionary bonus, housing allowances and other benefits in kind. Independent non-executive Directors receive compensation with reference with their respective positions and duties, including being a member or the chairman of Board committees.

For the three years ended December 31, 2021, 2022 and 2023, the total remuneration (including fees, salaries, retirement benefit scheme contributions and other benefits) we paid to our Directors amounted to approximately RMB4.6 million, RMB6.4 million and RMB7.7 million, respectively.

In 2021, 2022 and 2023, the total remuneration (including fees, salaries, retirement benefit scheme contributions and other benefits) we paid to the five highest paid individuals amounted to approximately RMB15.5 million, RMB15.2 million and RMB16.0 million, respectively.

Pursuant to the arrangement still in force as of the date of this document, an estimated aggregate amount of approximately RMB14.3 million will be paid and granted to the Directors as remuneration for the financial year ending December 31, 2024.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, the Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest paid individuals for the loss of office as director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed above, no other payments have been paid or are payable for 2021, 2022 and 2023 by us or any of our subsidiaries to our Directors.

DIRECTORS AND SENIOR MANAGEMENT

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders. To accomplish this, the Company intends to comply with the corporate governance requirements under the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Hong Kong Listing Rules after the [REDACTED].

Our Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group to achieve effective accountability. Our Company intends to comply with all code provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules after the [REDACTED] except for Code Provision C.2.1 of Part 2 of the Corporate Governance Code, which provides that the roles of chairman of the board and the president should be separate and should not be performed by the same individual.

The roles of Chairman of the Board and the President are currently performed by Mr. Zhang Weitong. In view of Mr. Zhang's substantial contribution to our Group and his extensive experience, we consider that having Mr. Zhang acting as both our Chairman of the Board and the President will provide strong and consistent leadership to our Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Mr. Zhang continues to act as both our Chairman of the Board and the President after the [REDACTED], and therefore currently do not propose to separate the functions of Chairman of the Board and the President.

While this would constitute a deviation from Code Provision C.2.1 of Part 2 of the Corporate Governance Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and our Board comprises four independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Mr. Zhang and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of Chairman of the Board and the President is necessary.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY POLICY

We [have adopted] a board diversity policy which sets out the approach to achieve and maintain diversity in our Board. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service and other related factors. We will also consider our own business model and special needs. The ultimate selection of Director candidates will be based on merits of the candidates and contribution that the candidates will bring to our Board.

Our Board currently consist of four female Directors and eight male Directors with a balanced mix of gender, knowledge and skills, including but not limited to knowledge and experience in the areas of food and beverage industry, commercial operation and corporate management, business development, legal experiences, auditing, human resources and finance experiences. Taking into consideration our existing business model and specific needs as well as the different background of our Directors, our Directors consider that the composition of our Board upon the [REDACTED] satisfies our board diversity policy. After the [REDACTED], we will strive to keep gender balance of the Board through measures implemented by our Nomination Committee in accordance with our board diversity policy. In particular, we will keep identifying and selecting female individuals with a diverse range of skills, experience and knowledge in different fields who are suitably qualified to become our Board members and maintain at least one female Director and at least 10% female representations in our Board.

Our Nomination Committee is responsible for the implementation of our board diversity policy. Upon completion of the [REDACTED], our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where our business, developments or results deviated from any forecast, estimate or other information in this document; and

DIRECTORS AND SENIOR MANAGEMENT

- where the Hong Kong Stock Exchange makes an inquiry to us under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the [REDACTED] and end on the date on which we distribute our annual report with respect to our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

None of our Directors had interests in any other companies as of the Latest Practicable Date that may, directly or indirectly, compete with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in April 2024, and (ii) understands his or her obligations as a director of a [REDACTED] issuer on the Stock Exchange under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors confirms (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) that 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 appointment.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, our Company was owned as to 60% and 40% by CRH Beverage and Plateau, respectively.

CRH Beverage is wholly owned by CRE Limited, which is in turn wholly owned by CRH Limited, a subsidiary of CR Holdings. Plateau is wholly owned by Plateau Consumer Fund, L.P., whose general partner is Plateau Investment Limited. Ms. Dong Yi, a sophisticated investor, through her wholly owned company Plateau Holding Limited, owns 100% equity interests in Plateau Investment Limited.

Immediately upon the completion of the [REDACTED], CRH Beverage and Plateau will own approximately [REDACTED]% and [REDACTED]% of the enlarged share capital of our Company (assuming the [REDACTED] is not exercised), respectively. Therefore, CR Holdings, CRH Limited, CRE Limited, CRH Beverage, Ms. Dong Yi, Plateau Holding Limited, Plateau Investment Limited, Plateau Consumer Fund, L.P. and Plateau will constitute our Controlling Shareholders after [REDACTED].

DELINEATION OF OUR BUSINESSES FROM THE BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

Our Principal Businesses

We are primarily engaged in manufacturing and sales of our packaged water products and beverage products. For more details, see “Business”.

Principal Businesses of CR Holdings

CR Holdings is a major PRC state-owned conglomerate headquartered in Hong Kong. Its core businesses include consumer goods (including retail, beer, food and beverages), healthcare, integrated energy, urban construction and operation, technology and emerging sectors, and industrial finance. Eight companies under the CR Group are listed on the Hong Kong Stock Exchange. The table below sets forth the principal businesses of CR Group’s listed subsidiaries/associates on the Hong Kong Stock Exchange and its shareholding interest in each of these listed subsidiaries/associates:

| Name | Principal Businesses | Approximate Percentages |
|---|---|-------------------------|
| China Resources Building Materials Technology Holdings Limited (stock code: 1313) | Excavation of limestone and production, sale and distribution of cement, clinker and concrete | 69% |

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

| Name | Principal Businesses | Approximate Percentages |
|--|--|-------------------------|
| CR Beer. | Manufacturing, sales and distribution of alcoholic beverages | 52% |
| CR Power | Investment, development, operation and management of wind farms, photovoltaic power plants, hydro-electric power plants and other clean and renewable energy projects and coal-fired power plants in the PRC | 63% |
| China Resources Pharmaceutical Group Limited (stock code: 3320) (“ CR Pharmaceutical ”) | Research and development, manufacturing, distribution and retail of pharmaceutical and healthcare products | 53% |
| China Resources Gas Group Limited (stock code: 1193) | Purchases and sales of natural gas, the construction and operation of pipeline facilities, gas for vehicles and vessels, combined cooling, heating and power, and integrated gas services | 61% |
| CR Land | Property investment, development and management | 60% |
| CR Mixc | Provision of property management and commercial operational services | 74% |
| China Resources Medical Holdings Company Limited (stock code: 1515) | Provision of general healthcare services, hospital management services, group purchasing organization business and other derived business from hospitals in the PRC | 37% |

Note: the above shareholding percentages are quoted from latest published reports of the above listed companies.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, CR Holdings held, through its subsidiaries, interests in the following businesses with a moderate scale of the production and sale of packaged drinking water and beverage products (the “**Retained Businesses**”):

CR Beer’s non-alcoholic fruit beer products

CR Beer is primarily engaged in manufacturing, sales and distribution of alcoholic beverages. In addition to its alcoholic beverages including beer and baijiu products, it has been engaging in sales of its fruit beer products with zero alcohol such as “Snow Xiao Pi Qi (雪花小啤汽)” since 2021. We believe that there is no substantive competition between CR Beer’s non-alcoholic fruit beer products and our carbonated beverage products for the following reasons:

- **Different product positioning and target customers.** According to the CIC Report, non-alcoholic fruit beer products are produced from malt and hop extracts with beer production technologies and are categorized as beer-alike products. Although non-alcoholic fruit beer products do not contain alcohol, they have similar flavour and appearance (in terms of foam and colour) with beer products. Accordingly, CR Beer’s non-alcoholic fruit beer products are positioned as alternatives to beer products, primarily targeting customers who prefer alcoholic drinks for social occasions and catering to young people, while our carbonated beverage products typically target customers who consume water and non-alcoholic beverage for daily needs. In addition, while CR Beer’s non-alcoholic fruit beer products are also sold in offline retail stores, they are typically displayed together with beer products instead of other non-alcoholic beverage products considering their similarities with beer products. Therefore, there is a clear delineation between CR Beer’s non-alcoholic fruit beer products and our carbonated beverage products.
- **Non-core products.** Neither of the non-alcoholic fruit beer products of CR Beer or our carbonated beverage products are among the main products of the respective groups. The revenue generated from CR Beer’s non-alcoholic fruit beer products represented less than 1.0% of CR Beer’s total revenue for the year ended December 31, 2023, whereas the revenue generated from our carbonated beverage products represented less than 0.1% of our total revenue for the year ended December 31, 2023.
- **Different strategies for geographic coverage.** CR Beer’s non-alcoholic fruit beer products are primarily sold in the northwest and central regions of China, whereas sales strategies of our products have a broad presence across China.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Oatly Group AB (“Oatly Group”)'s plant-based milk tea and latte products

Oatly Group is a company listed on the NASDAQ (ticker: OTLY) and is owned as to approximately 47% by China Resources Verlinvest Health Investment Limited, which is a joint venture indirectly owned as to 50% by CRH Limited. CRH Limited is not involved in the daily operation of Oatly Group. Oatly Group is primarily engaged in the production and sales of plant-based dairy products made from oats, including milk tea and latte made of oats. We believe that there is no substantive competition between Oatly Group’s milk tea and latte products and our milk tea and coffee products for the following reasons:

- **Different product positioning and target customers.** According to the CIC Report, Oatly Group’s plant-based dairy products (including its milk tea and latte made of oats) are categorized as plant-based protein beverage with a sizable percentage of target customers who are allergic to certain dairy products or prefer nutritious food with plant-based ingredients, whereas our Group currently does not produce or sell any plant-based protein beverage. Meanwhile, Oatly Group’s milk tea and latte are made of its plant-based dairy, whereas our milk tea and coffee products are made with dairy powder. Therefore, there is a clear delineation between Oatly Group’s plant-based milk tea and latte products and our milk tea and coffee products.
- **Non-core products.** Neither of the milk tea and latte products of Oatly Group or our milk tea and coffee products are among the main products of the respective groups. The revenue generated by Oatly Group from its sales of milk tea and latte products in China accounted for less than 5% of its total revenue for the year ended December 31, 2023, whereas the revenue generated from our milk tea and coffee products represented approximately 1.3% of our total revenue for the year ended December 31, 2023.
- **Different geographic regions.** Oatly Group generated a majority portion of its revenue globally from Europe, the Middle East, Africa, Americas and Asia, and its revenue generated from sales of plant-based dairy products (including but not limited to its milk tea and latte products) in China represented less than 20% of its total revenue for the year ended December 31, 2023, whereas our Group is focusing on the China market with substantially all of our revenue generated from China market.

Jincheng Haisi Pharmaceutical Co., Ltd. (晉城海斯製藥有限公司) (“Haisi Pharmaceutical”)'s Haisi Water

As of December 31, 2023, CR Holdings through CR Pharmaceutical owned approximately 43% interest in Jiangzhong Pharmaceutical Co., Ltd. (江中藥業股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600750)) which owns 51% interest in Haisi Pharmaceutical. Haisi Pharmaceutical is primarily engaged in R&D and production of chemical pharmaceuticals, and recorded a revenue of RMB983.3 million for the year ended December 31, 2023. To make full use of its residual manufacturing capacity of

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

producing water for pharmaceutical use, Haisi Pharmaceutical also produces and sells its packaged drinking water product “Haisi Water” primarily in Jincheng and Changzhi, Shanxi Province. We believe that there is no substantive competition between Haisi Water and our packaged drinking water products for the following reasons:

- **Different product positioning and business scale.** Haisi Water is not among the main products of Haisi Pharmaceutical, and the revenue generated from Haisi Water accounted for less than 0.6% of Haisi Pharmaceutical’s total revenue for the year ended December 31, 2023, whereas our packaged drinking water products are our key products, and our revenue generated from packaged drinking water products amounted to approximately RMB12,446.6 million for the year ended December 31, 2023, representing approximately 92.1% of our total revenue for the same period.
- **Different sales channels, target customers and geographic regions.** Haisi Water is primarily sold in Jincheng and Changzhi, Shanxi province with major customers being enterprises and individuals in Jincheng, and is generally not offered for sale in supermarkets, whereas our Group has diversified sales channels with a broad distribution network offering our packaged drinking water products nationwide to fulfil customers’ daily consumption needs. To our best knowledge, Haisi Pharmaceutical has no marketing or expansion plan for Haisi Water currently and in the foreseeable future.

Chongqing Zhongliangshan Beverage Co., Ltd. (重慶中梁山飲品有限公司) (“Chongqing Zhongliangshan”)'s packaged drinking water products

CR Power is principally engaged in investment, development, operation and management of wind farms, photovoltaic power plants, hydro-electric power plants and other clean and renewable energy projects and coal-fired power plants in the PRC, and recorded a revenue of RMB92.9 billion for the year ended December 31, 2023. As of the Latest Practicable Date, CR Holdings through CR Power held approximately 38% interest in Chongqing Energy Investment Group Co., Ltd. (重慶市能源投資集團有限公司) (“Chongqing Energy”), a company primarily engaged in energy development and operation. Before CR Power’s investment in Chongqing Energy in 2023, Chongqing Energy has indirectly held the entire 100% interest in Chongqing Zhongliangshan. Chongqing Zhongliangshan is primarily engaged in manufacturing and sales of packaged drinking water products in Chongqing and its neighbouring counties in Sichuan Province. We believe that there is no substantive competition between Chongqing Zhongliangshan’s packaged drinking water and our packaged drinking water products for the following reasons:

- **Different business scale.** The revenue generated from Chongqing Zhongliangshan amounted to less than 0.03% of the revenue of CR Power for the year ended December 31, 2023, whereas our revenue generated from packaged drinking water products amounted to approximately RMB12,446.6 million for the year ended December 31, 2023, representing approximately 92.1% of our total revenue for the same period.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- **Different geographic regions.** The packaged drinking water products of Chongqing Zhongliangshan are primarily sold in Chongqing and its neighbouring counties in Sichuan Province, whereas our packaged drinking water products have a broad presence across China.

Dong-E-E-Jiao Co., Ltd. (東阿阿膠股份有限公司) (“DEEJ”)’s E-Jing Water

As of December 31, 2023, CR Holdings through CR Pharmaceutical indirectly held approximately 33% interest in DEEJ (a company listed on the Shenzhen Stock Exchange (stock code: 000423)). DEEJ is primarily engaged in the production and sales of Chinese medicine and dietary supplement made from donkey-hide gelatin (Ejiao), and recorded a revenue of RMB4,715.3 million for the year ended December 31, 2023. Since 2016, DEEJ started to produce and sell its packaged drinking water product “E-Jing Water (阿井水)” as an ancillary product primarily for the promotion of its Ejiao products. We believe that there is no substantive competition between E-Jing Water and our packaged drinking water products for the following reasons:

- **Different product positioning and business scale.** E-Jing Water is not DEEJ’s main products and only serves as a part of DEEJ’s cultural and tourism series products for promotion of its Ejiao products in tourist attractions. As such, the revenue generated from E-Jing Water accounted for less than 0.03% of DEEJ’s total revenue for the year ended December 31, 2023. Whereas our packaged drinking water products are our key products and the revenue generated from packaged drinking water products amounted to approximately RMB12,446.6 million for the year ended December 31, 2023, representing approximately 92.1% of our total revenue for the same period.
- **Different sales channels and consumption scenarios.** E-Jing Water is typically sold in the aforementioned tourist attractions for promotion or provided as giveaways along with DEEJ’s Ejiao products, and to our best knowledge, is not expected to be substantially sold or promoted on a standalone basis in the foreseeable future, while our Group has diversified sales channels with a broad distribution network for our packaged drinking water products to fulfil customers’ daily consumption needs.
- **Different geographic regions.** E-Jing Water is only sold in tourist attractions in Dong’e county of Liaocheng city, Shandong province, whereas our packaged drinking water products have a broad presence across China.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CR Vanguard's flavored drinks and packaged drinking water

CR Vanguard is a subsidiary of CR Holdings and is primarily engaged in retail chain business through its proprietary stores nationwide. CR Vanguard procured flavored drinks and packaged drinking water manufactured by OEMs for sales in their proprietary stores under its own brands. We believe that there is no substantive competition between CR Vanguard's flavored drinks and packaged drinking water and our beverage products and packaged drinking water for the following reasons:

- **Non-core products.** CR Vanguard sells a wide variety of goods including but not limited to fresh and packaged food product, daily necessities and other consumption goods. The revenue generated from sales of flavored drinks and packaged drinking water under its own brands by CR Vanguard amounted to less than 1% of the revenue of CR Vanguard for the year ended December 31, 2023, whereas we generated all of our revenue from sales of packaged drinking water and beverages.
- **Different sales channels.** We sell our products primarily through our distribution network nationwide to distributors and direct sales customers consisting of KA clients including well-known national supermarkets, chain convenience stores and e-commerce platforms, whereas CR Vanguard sells flavored drinks and packaged drinking water in its proprietary stores directly to end customers.

Principal Businesses of Plateau

Plateau, which is ultimately controlled by Ms. Dong Yi, is an institution principally engaged in investment holding.

No Competition with our Controlling shareholders under Rule 8.10 of the Listing Rules

For reasons stated above, we believe that there is no substantive competition between the Retained Businesses and our packaged water and beverage products business, and there is no overlapping director or senior management of our Group and those of the Retained Businesses.

Save for the Retained Businesses as disclosed above, our Controlling Shareholders are not interested in a business, apart from our businesses and as disclosed in this document, which competes or is likely to compete, either directly or indirectly, with our businesses under Rule 8.10 of the Listing Rules as of the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Taking into consideration the following factors, our Directors believe that we can conduct our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Operational Independence

We operate our businesses independently from our Controlling Shareholders. We have obtained relevant qualifications and licenses, independent operating premises, domain names and systems needed for our businesses.

We have our own organizational structure with self-governing departments, each with specific areas of responsibility. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our businesses. We have adopted a set of corporate governance manuals, including the terms of reference for general meetings and terms of reference for Board meetings, both of which are based on relevant laws, rules and regulations.

We have entered into certain continuing connected transactions with CR Holdings in relation to products or services provided to or by CR Holdings and/or its associates. Such transactions are and will be conducted on an arm's length basis and on normal commercial terms in the ordinary and usual course of business of our Company. See the section headed "Connected Transactions."

Based on the above, our Directors are of the view that our Group operates independently from our Controlling Shareholders.

Financial Independence

We have established our own finance department with a team of independent financial staff who are responsible for our financial management, accounting, reporting and funding functions independently from our Controlling Shareholders and their respective close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Group maintains bank accounts independently and does not share any bank account with our Controlling Shareholders and/or their respective close associates. Our Group makes tax registration and pays tax independently with its own funds. As such, we operate independently of our Controlling Shareholders and/or their respective close associates in terms of financial functions, such as cash and accounting management, invoices and bills.

We do not rely on our Controlling Shareholders or their respective close associates by virtue of their provision of financial assistance. Our Group is capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders and/or their respective close associates. We entered into the deposit service and other related service framework agreement with CR Bank, which will constitute continuing connected transactions of our Group. Such deposit arrangements do not affect the financial independence of our Group as no financial assistance is being provided by CR Bank to us. See the section headed "Connected Transactions". Our Group will not have any loans, guarantees or other financial assistance from our Controlling Shareholders and/or their respective close associate upon [REDACTED].

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Based on the above, our Directors are of the view that our Company is financially independent from our Controlling Shareholders.

Management Independence

Our business is managed and conducted by our Board and senior management, and our Directors believe that our Company is capable of maintaining management independence due to the following reasons:

- our executive Directors and all our senior management members, who did not hold any management position in our Controlling Shareholders, are responsible for the day-to-day management and operation of our Company;
- each of our Directors 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 best interests of our Company and does not allow any conflict between his/her duties as a 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 our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- all of our four independent non-executive Directors are independent of our Controlling Shareholders and have extensive experience in their respective areas of expertise. See "Directors and Senior Management". All our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions; and
- upon completion of the [REDACTED], our Company will adopt 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. See "— Corporate Governance Measures" in this section below for further information.

Based on the above, and taking into consideration the fact that there is no substantive competition between us and our Controlling Shareholders and their respective close associates as defined under Rule 8.10 of the Listing Rules, the Directors are of the view that our management is independent from our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. Our Company would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders and their respective close associates upon [REDACTED]:

- where a Board meeting is held for the matters in which any Director has a material interest, such Director(s) shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- where a Shareholders' meeting involves proposed transactions in which any of our Controlling Shareholders and their respective close associates has a material interest, the Controlling Shareholder will not vote on the resolutions and shall not be counted in the quorum in the voting;
- our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Group enters into connected transactions with our Controlling Shareholders or any of their respective associates, our Company will comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;
- our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interests of our minority Shareholders;
- our Directors (including the independent non-executive Directors) will seek independent and professional opinions from external advisor at our Company's cost as and when appropriate in accordance with the Code on Corporate Governance Practices and Corporate Governance Report as set out in Appendix C1 to the Listing Rules; and
- we have appointed Altus Capital Limited as our compliance advisor, who will provide advice and guidance to us in respect of compliance with the Listing Rules and applicable laws, rules, codes and guidelines, including but not limited to various requirements relating to Directors' duties and internal controls.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Controlling Shareholders and/or Directors to protect minority Shareholders' rights after the [REDACTED].

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as of the Latest Practicable Date and immediately following the completion of the [REDACTED], the following persons had and will have an interest and/or a short position in our Shares or the underlying shares of our Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

| Shareholder | Nature of interest | Shares held as of the Latest Practicable Date | | Shares held immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised) | | Shares held immediately after completion of the [REDACTED] (assuming the [REDACTED] is exercised in full) | |
|--|------------------------------------|---|------------|---|------------|---|------------|
| | | Number | Percentage | Number | Percentage | Number | Percentage |
| China Resources Company Limited ⁽¹⁾ . . . | Interest in controlled corporation | 1,200,000,000 | 60% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| China Resources Inc. ⁽¹⁾ | Interest in controlled corporation | 1,200,000,000 | 60% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CRC Bluesky Limited ⁽¹⁾ . . . | Interest in controlled corporation | 1,200,000,000 | 60% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CR Holdings ⁽¹⁾ . . . | Interest in controlled corporation | 1,200,000,000 | 60% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CRH Limited ⁽¹⁾ . . . | Interest in controlled corporation | 1,200,000,000 | 60% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CRE Limited ⁽¹⁾ . . . | Interest in controlled corporation | 1,200,000,000 | 60% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| CRH Beverage ⁽¹⁾ . . . | Beneficial owner | 1,200,000,000 | 60% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Ms. Dong Yi ⁽²⁾ . . . | Interest in controlled corporation | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Plateau Holding Limited ⁽²⁾ . . . | Interest in controlled corporation | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

SUBSTANTIAL SHAREHOLDERS

| Shareholder | Nature of interest | Shares held as of the Latest Practicable Date | | Shares held immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised) | | Shares held immediately after completion of the [REDACTED] (assuming the [REDACTED] is exercised in full) | |
|---|------------------------------------|---|------------|---|------------|---|------------|
| | | Number | Percentage | Number | Percentage | Number | Percentage |
| Plateau Investment Limited ⁽²⁾ . . . | Interest in controlled corporation | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Plateau Consumer Fund, L.P. ⁽²⁾ . . . | Interest in controlled corporation | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Plateau ⁽²⁾ | Beneficial owner | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| China Investment Corporation ⁽³⁾ . . . | Interest in controlled corporation | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Central Huijin Investment Ltd. ⁽³⁾ | Interest in controlled corporation | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Bank of China Limited ⁽³⁾ | Interest in controlled corporation | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Bank of China Group Investment Limited ⁽³⁾ | Interest in controlled corporation | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| BOC Investment Management Limited ⁽³⁾ | Interest in controlled corporation | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Maxwish Limited ⁽³⁾ | Interest in controlled corporation | 800,000,000 | 40% | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

Notes:

- (1) As of the Latest Practicable Date, CRH Beverage directly held 60% of our Shares. CR Beverage is a wholly-owned subsidiary of CRE Limited, which is in turn wholly owned by CRH Limited, a subsidiary of CR Holdings. CR Holdings is a subsidiary of CRC Bluesky Limited, which is in turn wholly-owned by China Resources Inc. China Resources Inc. is wholly-owned by China Resources Company Limited.
- (2) As of the Latest Practicable Date, Plateau was wholly owned by Plateau Consumer Fund, L.P., whose general partner is Plateau Investment Limited. Plateau Investment Limited is wholly owned by Plateau Holding Limited, which is wholly owned by Ms. Dong Yi. In addition to the interest in the general partner of Plateau Consumer Fund, L.P., Ms. Dong Yi also, through Plateau Capital Limited and Plateau Group Limited, held a total of 2.65% limited partnership interests in Plateau Consumer Fund, L.P.

SUBSTANTIAL SHAREHOLDERS

- (3) As of the Latest Practicable Date, Maxwish Limited (銘宇有限公司) held approximately 36.8% limited partnership interest in Plateau Consumer Fund, L.P. Maxwish Limited is wholly owned by BOC Investment Management Limited (中銀投資管理有限公司), which is in turn wholly owned by Bank of China Group Investment Limited (中銀集團投資有限公司), a subsidiary of Bank of China Limited (中國銀行股份有限公司) (a company listed on the Hong Kong Stock Exchange (stock code: 3988) and Shanghai Stock Exchange (stock code: 601988)). BOCI Asia Limited, one of the Joint Sponsors for the [REDACTED], is a subsidiary of the Bank of China Limited. As of December 31, 2023, Bank of China Limited was held as to 64.13% by Central Huijin Investment Ltd., which was in turn wholly owned by China Investment Corporation, a state-owned enterprise.

Save as disclosed above, our Directors are not aware of any other person who will, immediately after completion of the [REDACTED], have an interest and/or a short position in our Shares or the underlying shares of our Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE PLEDGE BY PLATEAU

As of the Latest Practicable Date, all the Shares held by Plateau in the Company, representing 40% of our total issued share capital, were subject to pledges granted in favour of certain bank consortium (including BOCHK) for the purpose of a loan provided by the bank consortium to Plateau.

On October 11, 2023, BOCHK (as the security agent and on behalf of the bank consortium) issued an undertaking letter to the Company, pursuant to which, (a) in the period from the date of this document to the six months from the [REDACTED] (the “**First Six Months**”), for purpose of fulfilling the requirements under Rule 10.07(1)(a) of the Listing Rules, BOCHK shall not enforce the share pledge so as to cause any change to the shareholding of Plateau in our Company; and (b) in the period of six months from the date on which the First Six Months expires, for purpose of fulfilling the requirements under Rule 10.07(1)(b) of the Listing Rules, BOCHK shall not enforce the share pledge so as to cause Plateau to cease to be a Controlling Shareholder of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid as of the date of this Document and immediately following the completion of the [REDACTED]:

| | Aggregate nominal value of Shares |
|--|---|
| As of the date of this document | |
| <i>Authorized share capital</i> | |
| 100,000,000,000 Shares of US\$0.0000005 each | US\$50,000 |
| <i>Issued share capital</i> | |
| 2,000,000,000 Shares of US\$0.0000005 each | US\$1,000 |
| Immediately after completion of the [REDACTED] | |
| <i>Authorized share capital</i> | |
| 100,000,000,000 Shares of US\$0.0000005 each | US\$50,000 |
| <i>Shares to be issued under the [REDACTED] (assuming the [REDACTED] is not exercised)</i> | |
| [REDACTED] Shares of US\$0.0000005 each | US\$[REDACTED] |
| <i>Total issued Shares immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised)</i> | |
| [REDACTED] Shares of US\$0.0000005 each | US\$[REDACTED] |

The above tables assume that the [REDACTED] becomes unconditional, and the Shares are issued pursuant to the [REDACTED]. The above tables also do not take into account any Shares which may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The [REDACTED] will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its share capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) subdivide its shares into shares of smaller amount; (iv) cancel any shares which have not been taken or agreed to be taken by any person; (v) make provision for the allotment and issue of shares which do not carry any voting rights; (vi) change the currency of denomination of its share capital; (vii) reduce its share premium account; and (viii) perform any action not required to be performed by special resolution. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital by its shareholders passing a special resolution. See “Summary of the Constitution of the Company and the Cayman Islands Companies Laws — 2. Articles of Association — 2.1 Shares – (c) Alteration of Capital” in Appendix III for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- [REDACTED] of the aggregate nominal value of the Shares in issue immediately following completion of the [REDACTED]; and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed “— General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum and Articles or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For details, see “Appendix IV — Statutory and General Information — A. Further Information about our Group — 4. Resolutions of the Shareholders of Our Company dated April 21, 2024 and [●].”

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to [REDACTED] of the aggregate nominal value of our Shares in issue immediately following the completion of the [REDACTED].

The repurchase mandate only relates to repurchases made on the Hong Kong Stock Exchange, or on any other stock exchange on which our Shares are [REDACTED] (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information about our Group — 5. Repurchase of Our Own Securities” in Appendix IV to this document. This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum and Articles or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

For details, see “Appendix IV — Statutory and General Information — A. Further Information about our Group — 5. Repurchase of Our Own Securities.”

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with our consolidated financial statements included in “Appendix I — Accountants’ Report,” together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with HKFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in “Risk Factors” and “Forward-Looking Statements” and elsewhere in this document.

OVERVIEW

We are a pioneer in China’s packaged drinking water industry and a leader in China’s RTD soft beverage industry. According to the CIC Report, we were one of the first enterprises specializing in the production of packaged drinking water in China. After four decades of development, we have grown into the second largest company in the packaged drinking water market in China and the largest company in the purified drinking water market in China by retail sales value in 2023. The retail sales value of our “C’estbon” purified drinking water products reached RMB39.5 billion in 2023, standing as the number one brand in China’s purified drinking water market, according to the CIC Report. We centered on packaged drinking water while innovatively diversifying our beverage offerings, reinforcing our multi-category strategic roadmap of “one flagship brand accompanied by a spectrum of popular brands” and vigorously engaging in R&D and innovation to capture the expansive market opportunities. In 2023, according to the CIC Report, we ranked fifth in terms of retail sales value among China’s RTD soft beverage companies, showcasing our leading position in packaged drinking water and beverage products.

Anchored on our “C’estbon” brand, and rooted in the success of our purified drinking water products, we persistently enhance our product portfolio of packaged drinking water products through diversification of water types and expansion of product specifications, catering to a wide range of consumption scenarios including outdoor, indoor, business, catering and sports. Meanwhile, we strategically expanded our presence across multiple core product categories in China’s RTD soft beverage industry, which have been validated by the market and exhibit considerable growth potential. According to the CIC Report, among the top 10 RTD soft beverage companies in China in terms of retail sales value in 2023, our beverage products recorded the highest retail sales value growth rate in terms of CAGR from 2021 to 2023. We have successfully crafted multiple hit products under our renowned brands, propelling us to a leading position across various core product categories within China’s RTD soft beverage industry. According to the CIC Report, in terms of retail sales value in 2023, we ranked among top 10 in various core RTD beverage categories of China, including tea beverage, juice beverage and coffee beverage; notably, our market share ranked first in China’s chrysanthemum tea beverage market and second in the flavored water market.

FINANCIAL INFORMATION

During the Track Record Period, we achieved steady revenue growth and sustained improvement in profitability. Our revenue increased from RMB11,339.9 million in 2021 to RMB13,514.7 million in 2023, at a CAGR of 9.2%. In 2021, 2022 and 2023, our net profit was RMB858.1 million, RMB988.7 million and RMB1,331.4 million, respectively, and our net profit margin was 7.6%, 7.8% and 9.9%, respectively.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA. Our consolidated financial information has been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of our consolidated financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information, are disclosed in note 5 to the Accountants’ Report in Appendix I to this document.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are beyond our control, including the following:

General Factors

Our business and operating results are impacted by general factors affecting the RTD soft beverage industry, which include:

- the development of China’s macro economy;
- changes in per capita disposable income and expenditure on soft beverage products;
- evolving consumer consumption patterns and habits in China;
- the growth and competition environment of the RTD soft beverage industry in China;
- relevant laws and regulations, governmental policies and initiatives affecting the RTD soft beverage industry; and
- weather, natural disasters and climate change.

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Specific Factors

Market Demand

Our results of operations are largely determined by market demand for our products, including packaged drinking water and beverage products. Driven by increasing urbanization rate, increasing disposable income, consistent product innovation, continuous market segmentation and diversification of sales channels, the RTD soft beverage market in China is expected to continue to grow, according to the CIC Report. According to the same source, the size of the RTD soft beverage market in China in terms of retail sales value reached RMB909.2 billion in 2023 and is expected to increase to RMB1,203.2 billion by 2028, growing at a CAGR of 5.8% from 2023 to 2028. Packaged drinking water is the largest category among all RTD soft beverages in terms of retail sales value, with a market size of RMB215.0 billion in 2023, which is expected to reach RMB314.3 billion by 2028, growing at a CAGR of 7.9% from 2023 to 2028, the fastest among all RTD soft beverage categories. The packaged drinking water market accounted for 23.6% of the RTD soft beverage market in China by retail sales value in 2023, and is estimated to remain its leadership by 2028. See “Industry Overview.”

As a pioneer in China’s packaged drinking water industry and a leader in China’s RTD soft beverage industry, we are well-positioned to reinforce our market leadership and seize emerging opportunities, leveraging our strong brand recognition, comprehensive product portfolio and expansive nationwide sales network.

Our Sales Network and Geographical Coverage

We have built an extensive sales network, comprising distributorship and direct sales, to reach a wide range of consumers, enhancing our brand reputation and solidifying our competitive advantages. Maintaining an effective distribution network enables smooth deliveries of our packaged drinking water and beverage products to consumers, and our distributors play an important role in expanding our geographic footprints and driving sales of our products. In 2021, 2022 and 2023, we generated revenue of RMB9,963.2 million, RMB11,098.2 million and RMB11,785.4 million from distributorship representing 87.9%, 87.9% and 87.2% of our total revenue during the same years, respectively. During the Track Record Period, we had successfully partnered with over 1,000 distributors nationwide, covering over two million retail points of sale across the country accumulatively. Meanwhile, in 2021, 2022 and 2023, we generated revenue of RMB1,376.7 million, RMB1,524.6 million and RMB1,729.3 million from direct sales, respectively, accounting for 12.1%, 12.1% and 12.8% of our total revenue during the same years, respectively. See “Business — Our Sales Network”

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We expect to continually deepen the reach of our sales network in markets where we hold a leading position, such as the Southern region. During the Track Record Period, the Southern region was the largest contributor to our revenue. Meanwhile, we recorded significant growth in revenue generated from the Eastern and Southwestern regions, as we continued seizing the market potentials of the other regions in China.

- Our revenue generated from the Eastern region increased by 29.4% from RMB2,809.6 million in 2021 to RMB3,636.0 million in 2022, and further increased by 10.2% to RMB4,006.1 million in 2023. Our revenue generated from the Eastern region as a percentage of total revenue increased from 24.8% in 2021 to 28.8% in 2022, and further to 29.6% in 2023.
- Our revenue generated from the Southwestern region increased by 17.5% from RMB1,463.7 million in 2021 to RMB1,719.1 million in 2022, and further increased by 10.4% to RMB1,897.7 million in 2023. Our revenue generated from the Southwestern region as a percentage of total revenue increased from 12.9% in 2021 to 13.6% in 2022, and further to 14.0% in 2023.

Product Mix

Our success depends substantially on our ability to optimize our product mix to satisfy evolving consumer tastes, preferences and spending habits. We have a diverse portfolio of products in two categories: packaged drinking water products and beverage products. The breadth and depth of our product portfolio enable us to offer our consumers a variety of drinking options to meet their various preferences. Our small-sized bottled water products have been the flagship products under our C'estbon brand. Since the launch of the “small green bottle” in 2001, its classic image has helped us swiftly gain market recognition and garnered a substantial market share in the packaged drinking water market, contributing significantly to the establishment of our brand position and reputation. During the Track Record Period, we strategically launched medium- to large-sized bottled water products to cater to a variety of consumption scenarios, such as household, catering and outdoor. In 2021, 2022 and 2023, revenue generated from sales of medium- to large-sized bottled water products was RMB3,469.2 million, RMB3,962.3 million and RMB4,242.9 million, respectively, accounting for approximately 32.1%, 33.3% and 34.1% of our revenue generated from packaged drinking water products during the same years, respectively. Moreover, we have launched multiple new soft beverage products under our series including Zhi Ben Qing Run (至本清潤), Holiday Series (假日系列), Zuo Wei Cha Shi (佐味茶事) and FEEL (氣泡蘇打水). As of the Latest Practicable Date, our product portfolio comprised 13 brands and 56 SKUs in total. If we do not effectively anticipate and respond to changing trends and consumer preferences, our sales and growth could be adversely affected. See “Risk Factors — Risks Related to Our Business and Industry — We may not effectively respond to changing consumer tastes, preferences and spending habits, whether by enhancing our current products, undertaking the process of developing, launching and promoting any new product, or responding to changes in the distribution channels, which could impact our business and financial performance.”

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Cost of Sales

Our ability to maintain and enhance our profit margins mainly depends on our capabilities in managing the level of our cost of sales. During the Track Record Period, our cost of sales mainly included: (i) cost of raw materials and packaging materials; (ii) Cooperative Manufacturing Partners’ services fees; and (iii) manufacturing expenses.

The principal type of raw materials and packaging materials we use in the production of our products is PET for manufacturing bottles. Our other raw materials and packaging materials primarily include cardboard, bottle caps, labels, milk powder and sugar. Our cost of sales is subject to fluctuations in the prices of raw materials and packaging materials, which are generally affected by market conditions. In particular, fluctuations in the price of PET, which is highly affected by the price of crude oil, significantly affect our profitability. We have not entered into any hedging activities in relation to the price of our raw materials and packaging materials. However, we employ tailored procurement strategies for different materials and continuously adjust our approach to ensure consistent and timely supply. In addition, we have upgraded our proprietary bulk material management system utilizing AI technologies, which forms a full-cycle, closed-loop management of raw materials from demand forecasting for material procurement, bidding issuance, raw materials distribution and inventory management to account reconciliation. See “Business — Supply Chain Management — Raw Materials and Packaging Materials” and “Risk Factors — Risk Related to Our Business and Industry — The price volatility, declining quality or other risks related to the supply of our raw materials and packaging materials may materially and adversely affect our business and profitability.” In 2021, 2022 and 2023, our cost of raw materials and packaging materials were RMB3,722.8 million, RMB4,576.8 million and RMB4,507.6 million accounting for approximately 58.5%, 62.2% and 60.3% of our total cost of sales during the same years, respectively.

Our ability to effectively coordinate our Cooperative Manufacturing Partners with our business expansion needs while controlling the costs of relevant Cooperative Manufacturing Partners’ services may affect our profitability and results of operations. See “Business — Our Production — Production Factories — Our Cooperative Manufacturing Partners.” In 2021, 2022 and 2023, our Cooperative Manufacturing Partners’ service fees were RMB1,991.9 million, RMB2,039.7 million and RMB2,066.5 million accounting for approximately 31.3%, 27.7% and 27.6% of our total cost of sales during the same years, respectively.

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Branding and Marketing

Effective branding and marketing activities could increase consumer awareness of our brands and products, which could potentially drive revenue growth and increase customer loyalty. We have set “Your and My C’estbon” as our brand slogan, “safe, healthy and wonderful life” as our brand spirit and “healthy, safe, professional” as our brand image. If we fail to maintain our high brand recognition, our business operation and financial performance may be negatively impacted.

We adopt a multifaceted marketing strategy designed to connect with our audience and promote our brand in meaningful and impactful ways such as sports marketing, variety show marketing and in-transit marketing initiatives. In 2021, 2022 and 2023, we incurred marketing and promotion expenses of RMB1,046.6 million, RMB963.3 million and RMB1,074.2 million, respectively, which represented 9.2%, 7.6% and 7.9% of our total revenue during the same years, respectively. Benefiting from our dedication to conducting our marketing and branding activities efficiently, our marketing and promotion expenses as a percentage of the total revenue decreased from 2021 to 2022 and remained relatively stable in 2023.

Logistics Services Expenses

Efficient controls of our logistics services expenses are key for our results of operations. In 2021, 2022 and 2023, our logistics services expenses were RMB911.1 million, RMB1,123.4 million and RMB1,046.3 million, respectively, accounting for 8.0%, 8.9% and 7.7% of our total revenue during the same years, respectively. The increase in our logistics services expenses in 2022 compared to 2021 was primarily in relation to stock transfers resulting from constrained production activities in 2022, mainly due to the COVID-19. The decrease in our logistics services expenses in 2023 compared to 2022 was mainly because of: (i) higher logistics services expenses in 2022 as mentioned above; and (ii) enhanced logistical efficiency driven by our production expansion.

We have strategically employed various means to control our expenses incurred for logistics services, mainly including (i) the establishment of an expansive layout of factories with high logistics efficiency in our principal sales regions; (ii) the adoption of different transportation means including railway, highway and waterway to increase service flexibility; (iii) the optimized selection of relevant logistics service providers; and (iv) entering into self-pickup arrangement with certain distributors.

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Weather and Seasonality

The consumption of packaged drinking water and beverages is subject to seasonal variations. We typically experience sales peaks in the second and third quarters of each year, primarily due to the warmer weather. Meanwhile, we typically have low seasons with generally lower revenue and lower utilization rates for our production capacity in the first and the fourth quarters, which negatively affects our profitability during the same periods. Sales can also fluctuate during the course of a financial year for other reasons, including the timing of new product launches and marketing and promotion activities. Accordingly, our results of operations are subject to seasonal fluctuations.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and estimates, which we consider significant in the preparation of our financial statements in accordance with HKFRSs. These significant accounting policies are set forth in note 4 to the Accountants' Report in Appendix I to this document, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 5 of the Accountants' Report in Appendix I to this document. The preparation of our financial statements requires our management to make judgment, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. 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.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

Revenue from Contracts with Customers

Our Group recognizes revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;

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- our Group's performance creates or enhances an asset that the customer controls as our Group performs; or
- our Group's performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct goods or service.

A contract liability represents our Group's obligation to transfer goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

For contracts that contain variable consideration volume-based rebates, our Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which our Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, our Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Sale with a right of return

For a sale of products with a right of return for dissimilar products, our Group recognizes all of the following:

- revenue for the transferred products in the amount of consideration to which our Group expects to be entitled (therefore, revenue would not be recognized for the products expected to be returned);
- a refund liability; and
- an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and is presented as a right to returned goods asset.

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Property, Plant and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings and machinery in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with our Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

When our Group makes payments for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between the non-lease building element and the undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories, less all estimated costs of completion and costs necessary to make the sale.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where our Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which our Group recognizes the right-of-use assets and the related lease liabilities, our Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, our Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. Our Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied on the same taxable entity by the same taxation authority.

Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, our Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used, by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant tax authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

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PRINCIPAL COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table summarizes our results of operations for the years indicated:

| | Year ended December 31, | | |
|---|---------------------------|-------------------------|-------------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Revenue | 11,339,881 | 12,622,776 | 13,514,728 |
| Cost of sales | <u>(6,368,515)</u> | <u>(7,363,672)</u> | <u>(7,479,514)</u> |
| Gross profit | <u>4,971,366</u> | <u>5,259,104</u> | <u>6,035,214</u> |
| Other income | 295,956 | 340,172 | 367,246 |
| Other gains and losses | (10,577) | (3,187) | (14,622) |
| Impairment losses under expected credit loss model, net of reversal | 9,480 | (27,222) | (3,817) |
| Distribution and selling expenses | (3,756,727) | (3,877,617) | (4,086,510) |
| Administrative expenses | (253,238) | (265,029) | (300,562) |
| Research and development costs | (48,979) | (49,179) | (61,510) |
| Finance costs | (1,782) | (1,617) | (42,516) |
| [REDACTED] expenses | – | – | (14,490) |
| Profit before taxation | <u>1,205,499</u> | <u>1,375,425</u> | <u>1,878,433</u> |
| Income tax expense | (347,358) | (386,704) | (547,063) |
| Profit for the year | <u>858,141</u> | <u>988,721</u> | <u>1,331,370</u> |
| Attributable to: | | | |
| Owners of the Company | 858,141 | 989,808 | 1,329,341 |
| Non-controlling interests | <u>–</u> | <u>(1,087)</u> | <u>2,029</u> |

Revenue

During the Track Record Period, we generated revenue from two types of goods, namely packaged drinking water products and beverage products.

We experienced a steady revenue increase during the Track Record Period. In 2021, 2022 and 2023, our revenue was RMB11,339.9 million, RMB12,622.8 million and RMB13,514.7 million, respectively.

Our revenue growth during the Track Record Period was primarily attributable to: (i) the increasing customer demand for our products due to (a) our enhanced brand recognition and (b) continuous efforts to optimize and update our product portfolio, leveraging our deep market insights and commitment to R&D; (ii) our enhanced sales network operation with deepened penetration in our distribution network under the strategy of “delicate cultivation for triumphing at the end market” and strengthened efforts in cultivation of the direct sales

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network including offline direct sales, e-commerce platforms and online self-operated stores; and (iii) our continued efforts in deepening the reach of our sales network in markets where we hold a leading position, and seizing the market potentials of the other regions in China, with increased revenue contributed from the Eastern, Southwestern and other regions. See “— Revenue by Geography.”

Revenue by Product Category

During the Track Record Period, we generated revenue from the sales of: (i) packaged drinking water products, including small-sized bottled water products, medium- to large-sized bottled water products and barreled water products; and (ii) beverage products. See “Business — Our Products and Brands.”

The following table sets forth a breakdown of our revenue by product category in absolute amounts and as percentages of our total revenue for the years indicated:

| | Year ended December 31, | | | | | |
|-------------------------------------|---|--------------|-------------------|--------------|-------------------|--------------|
| | 2021 | | 2022 | | 2023 | |
| | Amount | % | Amount | % | Amount | % |
| | <i>(RMB in thousands, except for percentages)</i> | | | | | |
| Packaged drinking | | | | | | |
| water products . . . | 10,817,805 | 95.4 | 11,905,738 | 94.3 | 12,446,560 | 92.1 |
| Small-sized bottled | | | | | | |
| water products ⁽¹⁾ . . . | 6,922,561 | 61.0 | 7,484,417 | 59.3 | 7,715,685 | 57.1 |
| Medium- to large- | | | | | | |
| sized bottled water | | | | | | |
| products ⁽²⁾ | 3,469,225 | 30.6 | 3,962,285 | 31.4 | 4,242,914 | 31.4 |
| Barreled water | | | | | | |
| products ⁽³⁾ | 426,019 | 3.8 | 459,036 | 3.6 | 487,961 | 3.6 |
| Beverage products . . | 522,076 | 4.6 | 717,038 | 5.7 | 1,068,168 | 7.9 |
| Total | 11,339,881 | 100.0 | 12,622,776 | 100.0 | 13,514,728 | 100.0 |

Notes:

- (1) Small-sized bottled water products refers to packaged water products with an individual container volume of no more than 1L.
- (2) Medium- to large-sized bottled water products refers to packaged water products with an individual container volume between 1L and 15L.
- (3) Barreled water products refers to packaged water products with an individual container volume of 18.9L.

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During the Track Record Period, the majority of our revenue was from sales of packaged drinking water products, and our revenue growth was primarily driven by packaged drinking water products. Meanwhile, during the Track Record Period, our revenue generated from sales of beverage products increased both in absolute amount and as a percentage of our total revenue.

Our revenue generated from packaged drinking water products was RMB10,817.8 million, RMB11,905.7 million and RMB12,446.6 million in 2021, 2022 and 2023, respectively, growing at a CAGR of 7.3% from 2021 to 2023.

Our revenue generated from beverage products increased by 37.3% from RMB522.1 million in 2021 to RMB717.0 million in 2022, and further increased by 49.0% to RMB1,068.2 million in 2023.

The following table sets forth a breakdown of our sales volume by product category for the years indicated:

| | Year ended December 31, | | | | | |
|------------------------------|---|---------------------|----------------------|---------------------|----------------------|---------------------|
| | 2021 | | 2022 | | 2023 | |
| | Amount | % | Amount | % | Amount | % |
| | <i>(in thousand tons, except for percentages)</i> | | | | | |
| Packaged drinking | | | | | | |
| water products . . . | 11,786 | 98.8 | 12,727 | 98.5 | 13,491 | 98.0 |
| Small-sized bottled | | | | | | |
| water products . . | 5,604 | 47.0 | 5,889 | 45.6 | 6,189 | 45.0 |
| Medium- to large- | | | | | | |
| sized bottled water | | | | | | |
| products | 4,284 | 35.9 | 4,846 | 37.5 | 5,274 | 38.3 |
| Barreled water | | | | | | |
| products | 1,898 | 15.9 | 1,992 | 15.4 | 2,028 | 14.7 |
| Beverage products . . | 139 | 1.2 | 188 | 1.5 | 275 | 2.0 |
| Total | <u>11,925</u> | <u>100.0</u> | <u>12,915</u> | <u>100.0</u> | <u>13,766</u> | <u>100.0</u> |

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The sales volume of all product categories of our packaged drinking water and beverage products increased in 2022 compared to 2021 and in 2023 compared to 2022.

- Sales volume of our packaged drinking water products increased by 8.0% from 11.8 million tons in 2021 to 12.7 million tons in 2022, and further increased by 6.0% to 13.5 million tons in 2023, primarily due to increases in the sales volume of our medium- to large-sized bottled water products.
- Sales volume of our beverage products increased by 35.3% from 0.1 million tons in 2021 to 0.2 million tons in 2022, and further increased by 46.3% to 0.3 million tons in 2023, driven mainly by increases in the sales volume of our Zhi Ben Qing Run, Holiday Series and Mi Shui Series.

The average selling price of our packaged drinking water products remained relatively stable in 2021, 2022 and 2023. The average selling price of our beverage products increased year-on-year from 2021 to 2023, primarily reflecting our stronger bargaining power as our brand awareness increased and the growth of our business scale. The following table sets forth a breakdown of our average selling price by product category for the years indicated:

| | Year ended December 31, | | |
|--|-------------------------|--------------|--------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB/tons)</i> | | |
| Packaged drinking water products . . . | 918 | 935 | 923 |
| Small-sized bottled water products . . | 1,235 | 1,271 | 1,247 |
| Medium- to large-sized bottled water products | 810 | 818 | 804 |
| Barreled water products | 225 | 230 | 241 |
| Beverage products | 3,761 | 3,812 | 3,885 |

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Revenue by Geography

During the Track Record Period, we primarily generated revenue from the Southern and Eastern regions. The following table sets forth a breakdown of our revenue by geography in absolute amounts and as percentages of our total revenue for the years indicated:

| | Year ended December 31, | | | | | |
|--------------------------------|---|---------------------|--------------------------|---------------------|--------------------------|---------------------|
| | 2021 | | 2022 | | 2023 | |
| | Amount | % | Amount | % | Amount | % |
| | <i>(RMB in thousands, except for percentages)</i> | | | | | |
| Geography⁽¹⁾ | | | | | | |
| Southern region | 4,368,373 | 38.5 | 4,333,433 | 34.3 | 4,391,811 | 32.5 |
| Eastern region | 2,809,599 | 24.8 | 3,635,992 | 28.8 | 4,006,147 | 29.6 |
| Southwestern region | 1,463,676 | 12.9 | 1,719,123 | 13.6 | 1,897,664 | 14.0 |
| Other regions | 2,698,233 | 23.8 | 2,934,228 | 23.2 | 3,219,106 | 23.8 |
| Total | <u>11,339,881</u> | <u>100.0</u> | <u>12,622,776</u> | <u>100.0</u> | <u>13,514,728</u> | <u>100.0</u> |

Note:

- (1) Southern region, Eastern region and Southwestern region are in Mainland China, whereas other regions includes other regions in Mainland China, Hong Kong and Macau.

During the Track Record Period, we generated revenue from our sales network across Mainland China, Hong Kong and Macau. In 2021, 2022 and 2023, we generated the highest revenue from the Southern region of RMB4,368.4 million, RMB4,333.4 million and RMB4,391.8 million, respectively. During the Track Record Period, we also experienced high revenue growth in the Eastern region, Southwestern region and other regions by leveraging our strategic initiatives of continually seizing the market potentials of the regions in China and utilizing our extensive experience in the Southern region. In 2021, 2022 and 2023, revenue generated from the Eastern region accounted for 24.8%, 28.8% and 29.6% of our total revenue, respectively, while revenue generated from the Southwestern region constituted 12.9%, 13.6% and 14.0% of our total revenue.

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Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature for the years indicated:

| | Year ended December 31, | | | | | |
|--|---|--------------------|-------------------------|--------------------|-------------------------|--------------------|
| | 2021 | | 2022 | | 2023 | |
| | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue |
| | <i>(RMB in thousands, except for percentages)</i> | | | | | |
| Raw materials and packaging materials | 3,722,800 | 32.8 | 4,576,844 | 36.3 | 4,507,621 | 33.4 |
| Cooperative Manufacturing Partners’ services | 1,991,925 | 17.6 | 2,039,737 | 16.2 | 2,066,519 | 15.3 |
| Manufacturing expenses | 559,179 | 4.9 | 632,691 | 5.0 | 825,574 | 6.1 |
| Others | 94,611 | 0.8 | 114,400 | 0.9 | 79,800 | 0.6 |
| Total | <u>6,368,515</u> | <u>56.2</u> | <u>7,363,672</u> | <u>58.3</u> | <u>7,479,514</u> | <u>55.3</u> |

Our cost of sales primarily consists of: (i) cost of raw materials and packaging materials; (ii) Cooperative Manufacturing Partners’ service fees; and (iii) manufacturing expenses.

Our cost of sales increased from RMB6,368.5 million in 2021 to RMB7,363.7 million in 2022, primarily due to an increase in cost of our raw materials and packaging materials, which was mainly attributed to: (i) an increase in our sales volume; and (ii) an increase in the market prices of PET.

Our cost of sales was RMB7,363.7 million and RMB7,479.5 million in 2022 and 2023, respectively, which remained relatively stable and reflected a combination of the following factors: (i) an increase in our sales volume; (ii) an increase in our manufacturing expenses, mainly due to an increase in the production volume from self-owned factories in operation; and (iii) decreases in our cost of raw materials and packaging materials, as (a) the market prices of such materials decreased, such as PET and cardboard, (b) our bargaining power increased, and (c) we adopted various procurement strategies.

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Gross Profit and Gross Margin

Our gross profit was RMB4,971.4 million, RMB5,259.1 million and RMB6,035.2 million in 2021, 2022 and 2023, respectively. Our gross margin was 43.8%, 41.7% and 44.7% in 2021, 2022 and 2023, respectively. For details on the changes in our gross profit and gross margin during the Track Record Period, see “— Results of Operations.”

The following table sets forth a breakdown of our gross profit and gross profit margin by product category for the years indicated:

| | Year ended December 31, | | | | | |
|-----------------------------|---|---------------------|------------------|---------------------|------------------|---------------------|
| | 2021 | | 2022 | | 2023 | |
| | Gross profit | Gross profit margin | Gross profit | Gross profit margin | Gross profit | Gross profit margin |
| | <i>(RMB in thousands, except for percentages)</i> | | | | | |
| Packaged drinking | | | | | | |
| water products | 4,821,639 | 44.6 | 5,052,642 | 42.4 | 5,675,174 | 45.6 |
| Beverage products | 149,727 | 28.7 | 206,462 | 28.8 | 360,040 | 33.7 |
| Total | 4,971,366 | 43.8 | 5,259,104 | 41.7 | 6,035,214 | 44.7 |

Other Income

Our other income was RMB296.0 million, RMB340.2 million and RMB367.2 million in 2021, 2022 and 2023, respectively. Our other income primarily consists of interest income, government grants, investment income from financial assets at FVTPL and sales of recycled packaging materials. The following table sets forth a breakdown of our other income for the years indicated:

| | Year ended December 31, | | |
|--|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Interest income | 179,045 | 148,702 | 193,579 |
| Investment income from financial assets at FVTPL | 11,060 | 69,559 | 63,551 |
| Government grants ⁽¹⁾ | 82,938 | 87,812 | 61,264 |
| Sales of recycled packaging materials | 6,618 | 9,669 | 30,556 |
| Others ⁽²⁾ | 16,295 | 24,430 | 18,296 |
| Total | 295,956 | 340,172 | 367,246 |

Notes:

(1) During the Track Record Period, our government grants include subsidies that rewarded our subsidiaries’ contribution to the local economy, and those relating to our investments in production facilities. See note 7 to the Accountants’ Report in Appendix I to this document.

(2) Others mainly include liquidated damage income and other non-operating income.

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Other Gains and Losses

Our other gains and losses were losses of RMB10.6 million, losses of RMB3.2 million and losses of RMB14.6 million in 2021, 2022 and 2023, respectively. Our other gains and losses primarily consist of net loss on disposal of property, plant and equipment and net foreign exchange gain or loss. The changes in our net foreign exchange gain or loss during the Track Record Period primarily reflect fluctuations in exchange rates of certain foreign currency-denominated cash receivables due from related parties. The following table sets forth a breakdown of our other gains and losses for the years indicated:

| | Year ended December 31, | | |
|--|---------------------------|-----------------------|------------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Loss on disposal of property, plant and equipment, net | (6,780) | (3,365) | (13,840) |
| Net foreign exchange (loss)/gain | (2,201) | 2,814 | 917 |
| Others | <u>(1,596)</u> | <u>(2,636)</u> | <u>(1,699)</u> |
| Total | <u>(10,577)</u> | <u>(3,187)</u> | <u>(14,622)</u> |

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Our impairment losses under expected credit loss model, net of reversal, were reversal of impairment losses of RMB9.5 million, impairment losses of RMB27.2 million and impairment losses of RMB3.8 million in 2021, 2022 and 2023, respectively. Our impairment losses under expected credit loss model, net of reversal, mainly refer to provision we have made for trade receivables of certain of our direct sales customers.

Distribution and Selling Expenses

Our distribution and selling expenses were RMB3,756.7 million, RMB3,877.6 million and RMB4,086.5 million in 2021, 2022 and 2023, respectively, representing 33.1%, 30.7% and 30.2% of our total revenue during the same years, respectively. Our distribution and selling expenses primarily consist of: (i) staff costs, mainly representing salaries, bonuses, pension costs and other social insurance costs, among other things, relating to our sales and marketing staff; (ii) marketing and promotion expenses, mainly representing expenses for marketing activities serving our customers, retail points of sale and end consumers, such as advertising, sports events and variety show sponsorship, shelf display and promotion materials; (iii) logistics services expenses, mainly fees incurred for the transportation of our products; (iv) depreciation and amortization, primarily in relation to commercial refrigerator showcases; and (v) other expenses, such as travel expenses.

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The following table sets forth a breakdown of our distribution and selling expenses for the years indicated:

| | Year ended December 31, | | | | | |
|--|---|--------------------|-------------------------|--------------------|-------------------------|--------------------|
| | 2021 | | 2022 | | 2023 | |
| | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue |
| | <i>(RMB in thousands, except for percentages)</i> | | | | | |
| Staff costs | 1,553,108 | 13.7 | 1,511,936 | 12.0 | 1,563,781 | 11.6 |
| Marketing and promotion expenses | 1,046,643 | 9.2 | 963,273 | 7.6 | 1,074,170 | 7.9 |
| Logistics services expenses | 911,071 | 8.0 | 1,123,409 | 8.9 | 1,046,273 | 7.7 |
| Depreciation and amortization | 122,699 | 1.1 | 163,080 | 1.3 | 248,234 | 1.8 |
| Others | 123,206 | 1.1 | 115,919 | 0.9 | 154,052 | 1.1 |
| Total | <u>3,756,727</u> | <u>33.1</u> | <u>3,877,617</u> | <u>30.7</u> | <u>4,086,510</u> | <u>30.2</u> |

Administrative Expenses

Our administrative expenses were RMB253.2 million, RMB265.0 million and RMB300.6 million in 2021, 2022 and 2023, respectively, representing 2.2%, 2.1% and 2.2% of our total revenue during the same years, respectively. Our administrative expenses primarily consist of: (i) staff costs; (ii) consulting expenses; (iii) depreciation and amortization, which was primarily in relation to equipment and office buildings; and (iv) others, including factory start-up costs. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

| | Year ended December 31, | | | | | |
|---|---|-------------------|-----------------------|-------------------|-----------------------|-------------------|
| | 2021 | | 2022 | | 2023 | |
| | Amount | % of revenue | Amount | % of revenue | Amount | % of revenue |
| | <i>(RMB in thousands, except for percentages)</i> | | | | | |
| Staff costs | 145,174 | 1.3 | 163,880 | 1.3 | 147,493 | 1.1 |
| Consulting expenses | 37,111 | 0.3 | 32,202 | 0.3 | 68,355 | 0.5 |
| Depreciation and amortization | 30,778 | 0.3 | 31,561 | 0.3 | 35,112 | 0.3 |
| Office and travel expenses | 9,184 | 0.1 | 4,373 | 0.0 | 13,572 | 0.1 |
| Others | 30,991 | 0.3 | 33,013 | 0.3 | 36,030 | 0.3 |
| Total | <u>253,238</u> | <u>2.2</u> | <u>265,029</u> | <u>2.1</u> | <u>300,562</u> | <u>2.2</u> |

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Research and Development Costs

Our research and development costs were RMB49.0 million, RMB49.2 million and RMB61.5 million in 2021, 2022 and 2023, respectively, representing 0.4%, 0.4% and 0.5% of our total revenue during the same years, respectively. Our research and development costs mainly include: (i) staff costs of R&D personnel; (ii) services fees in relation to consulting services; and (iii) testing and inspection fees.

Finance Costs

Our finance costs were RMB1.8 million, RMB1.6 million and RMB42.5 million in 2021, 2022 and 2023, respectively. Our finance costs primarily consist of interest on bank borrowings and interest on lease liabilities. The following table sets forth a breakdown of our finance costs for the years indicated:

| | Year ended December 31, | | |
|---|---------------------------|---------------------|----------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Interest on bank borrowings | – | – | 41,053 |
| Interest on lease liabilities | 1,782 | 1,617 | 1,463 |
| Finance costs | <u>1,782</u> | <u>1,617</u> | <u>42,516</u> |

Income Tax Expense

Our income tax expense was RMB347.4 million, RMB386.7 million and RMB547.1 million in 2021, 2022 and 2023, respectively. Our income tax expense also included withholding income tax provided on the undistributed profits of certain PRC subsidiaries during the Track Record Period. During the same years, our effective income tax rate (calculated as income tax expense divided by profit before taxation) was 28.8%, 28.1% and 29.1%, respectively.

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our members are domiciled and operate. We are subject to various rates of income tax under different jurisdictions. During the Track Record Period and up to the Latest Practicable Date, we had made all the required tax filings with the relevant tax authorities in jurisdictions we operate in, and we were not aware of any outstanding or potential disputes with such tax authorities. The following sets forth our principal applicable income taxes and income tax rates:

PRC

Under the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries was 25% during the Track Record Period, except that certain subsidiaries were eligible for a preferential EIT rate of 20%.

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Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not have assessable profit which arose in, or was derived from, Hong Kong during the Track Record Period.

RESULTS OF OPERATIONS

Comparisons Between 2023 and 2022

Revenue

Our revenue increased by 7.1% from RMB12,622.8 million in 2022 to RMB13,514.7 million in 2023, due to increases in revenue generated from our packaged drinking water products and beverage products.

Our revenue from packaged drinking water products increased by 4.5% from RMB11,905.7 million in 2022 to RMB12,446.6 million in 2023, mainly as a result of increased customer demand for our products, as we enhanced penetration of the sales network and expanded the sales regions for certain products, particularly medium- to large-sized bottled water products, with revenue contribution increased by RMB280.6 million from RMB3,962.3 million in 2022 to RMB4,242.9 million in 2023, representing 51.9% of our year-on-year revenue growth from packaged drinking water products.

Our revenue generated from beverage products increased by 49.0% from RMB717.0 million in 2022 to RMB1,068.2 million in 2023, primarily driven by an increase in the sales volume of our beverage products, mainly as a result of increased customer demand for our beverage products. Such increase was primarily attributable to: (i) our continuous product portfolio expansion; (ii) our expanded sales network for beverage products; and (iii) enhanced brand awareness concerning our beverage products.

Moreover, in terms of revenue contribution from our sales network in different geographic regions, our revenue generated from the Eastern region contributed the largest growth in absolute amount, increasing by RMB370.2 million from RMB3,636.0 million in 2022 to RMB4,006.1 million in 2023, representing 41.5% of year-on-year growth of our total revenue.

Cost of Sales

Our cost of sales was RMB7,363.7 million and RMB7,479.5 million in 2022 and 2023, respectively, which remained relatively stable and reflected a combination of the following factors: (i) an increase in our sales volume; (ii) an increase in our manufacturing expenses, mainly due to an increase in the production volume from self-owned factories in operation; and (iii) decreases in our cost of raw materials and packaging materials, as (a) the market prices of such materials decreased, such as PET and cardboard, (b) our bargaining power increased, and (c) we adopted various procurement strategies.

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Gross Profit and Gross Margin

Our gross profit increased by 14.8% from RMB5,259.1 million in 2022 to RMB6,035.2 million in 2023, with the gross margin increasing from 41.7% in 2022 to 44.7% in 2023.

Our gross margin for packaged drinking water products increased from 42.4% in 2022 to 45.6% in 2023, primarily due to: (i) a decrease in our cost of raw materials and packaging materials, as (a) the market prices of such materials decreased, such as PET and cardboard, (b) our bargaining power increased and (c) we adopted various procurement strategies; and (ii) the implementation of measures to reduce costs and enhance efficiency, such as optimization of packaging, the increased proportion of film packaging and in-house injection molding, and effective control of our Cooperative Manufacturing Partners’ services fees primarily resulting from our stronger bargaining power.

Our gross margin for beverage products increased from 28.8% in 2022 to 33.7% in 2023, primarily due to: (i) a decrease in our cost of raw materials and packaging materials, as (a) the market prices of such materials decreased, such as PET and cardboard, (b) our bargaining power increased, and (c) we adopted various procurement strategies; and (ii) an increase in the average selling price of our beverage products.

Other Income

Our other income increased by 8.0% from RMB340.2 million in 2022 to RMB367.2 million in 2023, primarily due to: (i) an increase in interest income resulting from an increased average balance of bank deposits; and (ii) an increase in the sales of recycled packaging materials, as we generated an ancillary income in 2023 in relation to the sales of certain used packaging materials. Such increases were partially offset by a decrease in government grants.

Other Gains and Losses

We recorded other losses of RMB3.2 million in 2022 and other losses of RMB14.6 million in 2023, primarily due to (i) a decrease in net foreign exchange gain in 2023 as a result of fluctuations in exchange rates (ii) an increase in loss on disposal of property, plant and equipment in 2023, mainly related to disposals of terminal retail equipment.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Our impairment losses under expected credit loss model, net of reversal, decreased by 86.0% from RMB27.2 million in 2022 to RMB3.8 million in 2023, primarily due to relatively higher provision of impairment losses we made for trade receivables due from certain of our KA clients in 2022.

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Distribution and Selling Expenses

Our distribution and selling expenses increased by 5.4% from RMB3,877.6 million in 2022 to RMB4,086.5 million in 2023, primarily due to: (i) an increase in marketing and promotion expenses in relation to our strengthened efforts in marketing and promotion; and (ii) an increase of depreciation and amortization, which was mainly in relation to our purchases and operation of commercial refrigerator showcases to extend our reach to consumers. Such increase was partially offset by a decrease in logistics services expenses, mainly because of: (i) higher logistics services expenses in relation to stock transfers resulting from constrained production activities in 2022 primarily due to the COVID-19; and (ii) enhanced logistical efficiency driven by our production expansion. In addition, our distribution and selling expenses as a percentage of the total revenue remained relatively stable in 2022 and 2023.

Administrative Expenses

Our administrative expenses increased by 13.4% from RMB265.0 million in 2022 to RMB300.6 million in 2023, primarily due to increases in: (i) consulting expenses incurred in strengthening our digitalization system; (ii) office and travel expenses in relation to our business expansion; and (iii) factory start-up costs incurred in executing production expansion plans. Our administrative expenses as a percentage of the total revenue remained relatively stable in 2022 and 2023.

Research and Development Costs

Our research and development costs increased by 25.1% from RMB49.2 million in 2022 to RMB61.5 million in 2023, primarily due to increases in: (i) staff costs, as we expanded our R&D team; and (ii) testing and inspection fees and materials consumption, as a result of our continued efforts in upgrading and improving our existing packaged drinking water and other beverage products, launching new products and exploring new product categories. Our research and development costs as a percentage of the total revenue remained relatively stable in 2022 and 2023.

Finance Costs

Our finance costs increased significantly from RMB1.6 million in 2022 to RMB42.5 million in 2023, primarily due to an increase in the short-term bank borrowings incurred in 2023, and as of December 31, 2023, all of such borrowings had been settled.

Income Tax Expense

Our income tax expense increased by 41.5% from RMB386.7 million in 2022 to RMB547.1 million in 2023, primarily due to an increase in our taxable income, which was in line with the growth of our business. Our effective income tax rate (calculated as income tax expense divided by profit before taxation) increased at 28.1% and 29.1% in 2022 and 2023, respectively.

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Profit for the Year

As a result of the foregoing, our profit increased by 34.7% from RMB988.7 million in 2022 to RMB1,331.4 million in 2023, and our net profit margin increased from 7.8% in 2022 to 9.9% in 2023.

Comparisons Between 2022 and 2021

Revenue

Our revenue increased by 11.3% from RMB11,339.9 million in 2021 to RMB12,622.8 million in 2022, due to increases in revenue generated from our packaged drinking water products and beverage products.

Our revenue from packaged drinking water products increased by 10.1% from RMB10,817.8 million in 2021 to RMB11,905.7 million in 2022, primarily due to an increase in the sales volume of our products, mainly as a result of increased customer demand for our products, as we enhanced penetration of the sales network and expanded the sales regions for certain products, particularly medium- to large-sized bottled water products with revenue contribution increased by RMB493.1 million from RMB3,469.2 million in 2021 to RMB3,962.3 million in 2022, representing 45.3% of our year-on-year revenue growth from packaged drinking water products.

Our revenue generated from beverage products increased by 37.3% from RMB522.1 million in 2021 to RMB717.0 million in 2022, primarily driven by an increase in the sales volume of our beverage products, mainly as a result of increased customer demand for our beverage products. Such increase was primarily attributable to: (i) our continuous product portfolio expansion; (ii) our expanded sales network for beverage products; and (iii) enhanced brand awareness concerning our beverage products.

Moreover, in terms of revenue contribution from our sales network in different geographic regions, our revenue generated from the Eastern region contributed the largest growth in absolute amount, increasing by RMB826.4 million from RMB2,809.6 million in 2021 to RMB3,636.0 million 2022, representing 64.4% of year-on-year growth of our total revenue.

Cost of Sales

Our cost of sales increased by 15.6% from RMB6,368.5 million in 2021 to RMB7,363.7 million in 2022, primarily due to: (i) an increase in our sales volume; and (ii) an increase in the cost of our raw materials and packaging materials as the market prices of PET increased.

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Gross Profit and Gross Margin

Our gross profit increased by 5.8% from RMB4,971.4 million in 2021 to RMB5,259.1 million in 2022, with the gross margin decreasing from 43.8% in 2021 to 41.7% in 2022.

Our gross margin for packaged drinking water products decreased from 44.6% in 2021 to 42.4% in 2022, primarily due to an increase in our cost of raw materials and packaging materials, as the market prices of PET increased, partially offset by a decrease in our unit Cooperative Manufacturing Partners’ services fees primarily resulting from our stronger bargaining power.

The gross margin for beverage products was 28.7% and 28.8% in 2021 and 2022, respectively, mainly as a result of the increased average selling price of our beverage products, offset by an increase in our cost of raw materials and packaging materials, as the market prices of PET increased.

Other Income

Our other income increased by 14.9% from RMB296.0 million in 2021 to RMB340.2 million in 2022, primarily due to an increase in investment income from financial assets at FVTPL from RMB11.1 million to RMB69.6 million, mainly as a result of an increase in the structured deposits we purchased in 2022 compared to 2021, which was partially offset by a decrease in our interest income.

Other Gains and Losses

We recorded losses of RMB10.6 million under our other gains and losses in 2021, which decreased by 69.9% to RMB3.2 million in 2022, primarily due to: (i) a decrease in loss on disposal of property, plant and equipment in 2022 compared to 2021, mainly as we disposed of less commercial refrigerator showcases and less equipment for production in 2022; and (ii) a net foreign exchange gain of RMB2.8 million in 2022 compared to a net foreign exchange loss of RMB2.2 million in 2021, primarily due to fluctuations in exchange rates.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

Our impairment losses under expected credit loss model, net of reversal, changed from reversal of impairment losses of RMB9.5 million in 2021 to impairment losses of RMB27.2 million in 2022, primarily due to relatively higher provision of impairment losses we made for trade receivables due from certain of our KA clients in 2022. See “— Quantitative and Qualitative Disclosures about Financial Risks — Credit Risk and Impairment Assessment.”

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Distribution and Selling Expenses

Our distribution and selling expenses increased by 3.2% from RMB3,756.7 million in 2021 to RMB3,877.6 million in 2022, respectively, primarily due to an increase in logistics services expenses in relation to stock transfers resulting from constrained production activities in 2022 primarily due to the COVID-19, substantially offset by a decrease in: (i) our marketing and promotion expenses as we have relatively less promotion activities in 2022 under adverse impact of the COVID-19; and (ii) optimization of our staff costs. In addition, our distribution and selling expenses as a percentage of the total revenue decreased in 2022 compared to 2021, mainly benefiting from our dedication to conducting our marketing and branding activities efficiently.

Administrative Expenses

Our administrative expenses increased by 4.7% from RMB253.2 million in 2021 to RMB265.0 million in 2022, primarily due to an increase in the staff costs, mainly as a result of increases in: (i) the average compensation level; and (ii) employees’ social insurance and housing provident fund contributions.

Research and Development Costs

Our research and development costs remained relatively stable at RMB49.0 million and RMB49.2 million in 2021 and 2022, respectively.

Finance Costs

Our finance costs remained relatively stable at RMB1.8 million and RMB1.6 million in 2021 and 2022, respectively.

Income Tax Expense

Our income tax expense increased by 11.3% from RMB347.4 million in 2021 to RMB386.7 million in 2022, primarily due to an increase in our taxable income, which was in line with the growth of our business. Our effective income tax rate (calculated as income tax expense divided by profit before taxation) remained relatively stable at 28.8% and 28.1% in 2021 and 2022, respectively.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 15.2% from RMB858.1 million in 2021 to RMB988.7 million in 2022, and our net profit margin remained relatively stable at 7.6% and 7.8% in 2021 and 2022, respectively.

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DESCRIPTION OF CERTAIN COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth the components of our consolidated statements of financial position as of the dates indicated:

| | As of December 31, | | |
|--|---------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Non-current assets | | | |
| Property, plant and equipment | 1,383,153 | 2,007,978 | 4,809,703 |
| Right-of-use assets | 182,254 | 463,799 | 518,035 |
| Deferred tax asset | 256,894 | 310,179 | 243,463 |
| Deposits for acquisition of property, plant and equipment and leasehold land | 66,295 | 189,325 | 292,566 |
| Fixed bank deposits | – | – | 1,577,055 |
| Other non-current assets | 760 | 3,069 | 2,955 |
| Total non-current assets | 1,889,356 | 2,974,350 | 7,443,777 |
| Current assets | | | |
| Inventories | 414,089 | 588,120 | 377,380 |
| Trade and other receivables | 505,343 | 563,601 | 682,869 |
| Income tax recoverable | 136,937 | 119,633 | 102,705 |
| Amounts due from fellow subsidiaries | 4,231,684 | 3,536,591 | – |
| Amount due from immediate holding company | 19,928 | 21,875 | 22,192 |
| Amount due from intermediate holding company | 736 | 741 | 742 |
| Fixed bank deposits | 207,557 | 292,302 | 2,297,391 |
| Cash and cash equivalents | 1,682,810 | 2,507,631 | 2,074,698 |
| Total current assets | 7,199,084 | 7,630,494 | 5,557,977 |
| Non-current liabilities | | | |
| Deferred tax liabilities | 188,989 | 240,998 | 310,072 |
| Lease liabilities – due after one year | 16,789 | 10,377 | 19,811 |
| Deferred income | 112,849 | 128,249 | 110,741 |
| Total non-current liabilities | 318,627 | 379,624 | 440,624 |

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| | As of December 31, | | |
|--|---------------------------|-------------------------|-------------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Current liabilities | | | |
| Trade and other payables | 3,869,233 | 4,029,081 | 5,022,065 |
| Contract liabilities | 268,912 | 246,660 | 139,355 |
| Amount due to immediate holding company | 1,742 | 1,903 | 1,931 |
| Amount due to intermediate holding company | 1,075 | 1,259 | 1,158 |
| Income tax payable | 28,971 | 33,370 | 7,670 |
| Lease liabilities – due within one year . . . | 15,909 | 17,169 | 16,178 |
| Total current liabilities | <u>4,185,842</u> | <u>4,329,442</u> | <u>5,188,357</u> |
| Equity | | | |
| Equity attributable to owners of the Company: | 4,583,971 | 5,573,765 | 6,903,058 |
| Share capital | 7 | 7 | 7 |
| Reserves | 4,583,964 | 5,573,758 | 6,903,051 |
| Non-controlling interests | – | 322,013 | 469,715 |
| Total equity | <u>4,583,971</u> | <u>5,895,778</u> | <u>7,372,773</u> |

Property, Plant and Equipment

Our property, plant and equipment mainly consists of buildings, leasehold improvements, construction in progress, plant and machinery, motor vehicles and furniture, fixtures and office equipment. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

| | As of December 31, | | |
|---|---------------------------|-------------------------|-------------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Buildings | 616,178 | 737,541 | 1,145,664 |
| Leasehold improvements | 8,154 | 14,094 | 21,565 |
| Construction in progress | 30,057 | 156,346 | 1,809,459 |
| Plant and machinery | 568,929 | 912,889 | 1,637,195 |
| Motor vehicles | 9,188 | 16,964 | 21,588 |
| Furniture, fixtures and office equipment | 150,647 | 170,144 | 174,232 |
| Total | <u>1,383,153</u> | <u>2,007,978</u> | <u>4,809,703</u> |

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As of December 31, 2021, 2022 and 2023, our property, plant and equipment was RMB1,383.2 million, RMB2,008.0 million and RMB4,809.7 million, respectively. The increase in our property, plant and equipment as of December 31, 2022 compared to December 31, 2021 was primarily due to an increase in our plant and machinery, mainly in line with our production capacity expansion and particularly attributable to: (i) our newly purchased production equipment in relation to our production expansion in Zhaoqing Factory; and (ii) our newly acquired properties and production facilities in relation to our acquisition of Yixing Factory in 2022. The increase in our property, plant and equipment as of December 31, 2023 compared to December 31, 2022 was primarily due to: (i) an increase in our construction in progress, mainly in relation to our construction projects at several factories such as Chengdu Factory, Changsha Factory and Wanlv Lake Factory; and (ii) increases in our buildings and plant and machinery, mainly in relation to the commencement of production at the Nanning Factory and part of the Yixing Factory and Biyouxuan Factory in 2023. See “Business — Our Production — Our Production Expansion Plan.”

Right-of-use Assets

Our right-of-use assets are primarily related to leasehold land, leased properties and machinery and vehicles. We leased land, properties, machinery and vehicles for our operations during the Track Record Period. The following table sets forth the breakdown of our right-of-use assets as of the dates indicated:

| | As of December 31, | | |
|----------------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Leasehold land | 151,146 | 437,459 | 482,676 |
| Leased properties | 29,679 | 25,263 | 35,412 |
| Machinery and vehicles | 1,429 | 1,077 | 217 |
| Total | 182,254 | 463,799 | 518,035 |

The increases in our right-of-use assets as of December 31, 2023 compared to December 31, 2022 and as of December 31, 2022 compared to December 31, 2021 were primarily due to an increase in leasehold land in relation to our acquisition of Yixing Factory in 2022 and Biyouxuan Factory in 2023 and our production expansion.

Deposits for Acquisition of Property, Plant and Equipment and Leasehold Land

Our deposits for acquisition of property, plant and equipment and leasehold land are primarily related to prepayments we made for production equipment and land use rights. As of December 31, 2021, 2022 and 2023, our deposits for acquisition of property, plant and equipment and leasehold land were RMB66.3 million, RMB189.3 million and RMB292.6 million, respectively. The increases in our deposits for acquisition of property, plant and equipment and leasehold land during the Track Record Period were mainly in line with our continual production expansion.

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Inventories

Our inventories primarily consist of: (i) raw material and consumables, primarily including packaging materials and ingredients; and (ii) finished goods, primarily including packaged drinking water and beverage products. Raw materials and consumables represented the majority of our inventories, accounting for 59.3%, 54.4% and 69.4% of our total inventories as of December 31, 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of our inventories as of the dates indicated:

| | As of December 31, | | |
|--|---------------------------|-----------------------|-----------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Raw material and consumables | 245,707 | 320,113 | 262,067 |
| Finished goods | <u>168,382</u> | <u>268,007</u> | <u>115,313</u> |
| Total inventories | <u>414,089</u> | <u>588,120</u> | <u>377,380</u> |

Our inventories increased by 42.0% from RMB414.1 million as of December 31, 2021 to RMB588.1 million as of December 31, 2022, primarily due to: (i) an increase in raw material to satisfy our increasing sales and production needs; (ii) increases in the purchase price of PET and other packaging materials mainly due to market fluctuations; and (iii) an increase in finished goods to stock up for the following Chinese New Year, which was near the year end of 2022. Our inventories decreased by 35.8% from RMB588.1 million as of December 31, 2022 to RMB377.4 million as of December 31, 2023, primarily because we did not stock up as much for the following Chinese New Year, which was farther from the year end of 2023.

The following table sets forth our inventory turnover days during the years indicated:

| | Year ended December 31, | | |
|--|-------------------------|------|------|
| | 2021 | 2022 | 2023 |
| | <i>(days)</i> | | |
| Inventory turnover days ⁽¹⁾ | 19.1 | 24.8 | 23.6 |

Note:

- (1) Calculated based on the average of the beginning and ending balances of inventory for that year divided by cost of sales for that year and multiplied by the number of days in that year.

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Our inventory turnover days was 19.1 days, 24.8 days and 23.6 days in 2021, 2022 and 2023 respectively. The inventory turnover days increased from 2021 to 2022, primarily due to an increase in inventories to stock up for the following Chinese New Year, which was near the year end of 2022. The inventory turnover days remained relatively stable in 2022 and 2023, primarily due to a decrease in inventories as we did not stock up as much for the following Chinese New Year, which was farther from the year end of 2023, offset by a higher beginning balance of inventory for reasons mentioned above.

As of February 29, 2024, RMB329.7 million, or 87.4%, of our inventory as of December 31, 2023 had been sold or utilized.

Trade and Other Receivables

Our trade and other receivables mainly comprise trade receivables, value-added tax recoverable, advances to suppliers, and other receivables. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

| | As of December 31, | | |
|---|---------------------------|-----------------------|-----------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Trade receivables | | | |
| – Third parties | 241,975 | 245,538 | 254,116 |
| – Fellow subsidiaries | <u>35,797</u> | <u>25,030</u> | <u>13,210</u> |
| | 277,772 | 270,568 | 267,326 |
| Less: Allowance for credit losses | <u>(9,885)</u> | <u>(30,496)</u> | <u>(36,622)</u> |
| | 267,887 | 240,072 | 230,704 |
| Other receivables | 22,682 | 28,863 | 97,002 |
| Less: Allowance for credit losses | <u>(240)</u> | <u>(335)</u> | <u>(335)</u> |
| | 22,442 | 28,528 | 96,667 |
| Note receivables | 6,894 | – | – |
| Deferred issue costs | – | – | 2,270 |
| Advances to suppliers | 40,927 | 18,145 | 36,776 |
| Value-added tax recoverable | <u>167,193</u> | <u>276,856</u> | <u>316,452</u> |
| Total | <u>505,343</u> | <u>563,601</u> | <u>682,869</u> |

As of December 31, 2021, 2022 and 2023, our trade and other receivables were RMB505.3 million, RMB563.6 million and RMB682.9 million, respectively. The increase in our trade and other receivables as of December 31, 2022 compared to December 31, 2021 was primarily due to an increase in the value-added tax recoverable, which was mainly because our VAT input tax credit reconciliation was postponed to 2023 under the impact of the COVID-19 at the end 2022. The increase in our trade and other receivables as of December 31, 2023

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compared to December 31, 2022 was primarily due to: (i) an increase in other receivables related to certain factory, and as of February 29, 2024, all of such receivables had been settled; and (ii) an increase in value-added tax recoverable in relation to our construction projects in 2023.

We normally require payment before delivery from our distributors. In addition, we usually grant credit terms of no more than 90 days to certain direct sales customers, mainly consisting of KA clients including well-known national supermarkets, chained convenience stores and e-commerce platforms. The following table sets forth an aging analysis of our trade receivables, net of allowance for credit losses, based on the dates of delivery of goods as of the dates indicated:

| | As of December 31, | | |
|---------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| 0 to 90 days | 223,047 | 194,655 | 202,402 |
| 91 to 180 days | 34,316 | 30,533 | 26,954 |
| 181 to 365 days | 6,660 | 13,665 | 798 |
| Over 365 days | 3,864 | 1,219 | 550 |
| Total | 267,887 | 240,072 | 230,704 |

The following table sets forth the turnover days of our trade receivables for the years indicated:

| | Year ended December 31, | | |
|--|-------------------------|------|------|
| | 2021 | 2022 | 2023 |
| | <i>(days)</i> | | |
| Trade receivables turnover days ⁽¹⁾ | 8.3 | 7.9 | 7.3 |

Note:

- (1) Calculated based on the average of the beginning and ending balances of trade receivables (before allowance for credit losses) for that year divided by revenue for that year and multiplied by the number of days in that year.

Our trade receivables turnover days decreased during the Track Record Period, mainly due to our continuous efforts to improve our receivables collection increased our turnover efficiency in 2023.

As of February 29, 2024, RMB174.5 million, or 75.6%, of our trade receivables as of December 31, 2023 had been settled.

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Trade and Other Payables

Our trade and other payables primarily represent trade payables, sales rebate and promotion expense payables, payroll payables, deposit payables, advertising payables and transportation payables. The following table sets forth a breakdown of our trade and other payables as of the dates indicated:

| | As of December 31, | | |
|---|---------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Trade payables | | | |
| – Third parties | 371,648 | 509,446 | 744,350 |
| – Fellow subsidiaries | 18,048 | 53,597 | 72,564 |
| | 389,696 | 563,043 | 816,914 |
| Sales rebate and promotion expense payables | 2,330,405 | 1,997,549 | 1,693,251 |
| Payroll payables | 376,307 | 440,492 | 459,233 |
| Deposit payables | 272,933 | 315,847 | 346,529 |
| Advertising payables | 224,741 | 128,453 | 154,858 |
| Transportation payables | 133,407 | 277,292 | 251,992 |
| Accrued [REDACTED] expenses | – | – | 7,496 |
| Accrued issue costs | – | – | 1,221 |
| Other payables and accruals | 141,744 | 306,405 | 1,290,571 |
| Total | 3,869,233 | 4,029,081 | 5,022,065 |

As of December 31, 2021, 2022 and 2023, our trade and other payables were RMB3,869.2 million, RMB4,029.1 million and RMB5,022.1 million, respectively. The increase in our trade and other payables as of December 31, 2022 compared to December 31, 2021 was mainly in relation to: (i) increases in our trade payables and transportation payables, in line with the growth of our business scale; and (ii) an increase in other payables and accruals in relation to our payables for construction projects. Such increase was partially offset by a decrease in our sales rebate and promotion expense payables and advertising payables. The increase in our trade and other payables as of December 31, 2023 compared to December 31, 2022 was primarily due to: (i) an increase in other payables and accruals in relation to our payables for construction projects at several factories such as the Chengdu Factory, Wanlv Lake Factory and Changsha Factory; and (ii) increases in both our trade payables due to third parties and those due to fellow subsidiaries as of December 31, 2023 compared to December 31, 2022, mainly because the payment for some of our purchases, which had a due date coinciding with a public holiday in 2023, was settled on the first business day of 2024. Such increase was partially offset by a decrease in our sales rebate and promotion expense payables.

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Our trade payables were primarily due to third parties. Our trade payables are unsecured and non-interest bearing. During the Track Record Period, credit periods granted by suppliers to our Group generally ranged from 15 days to 60 days. The following table sets forth an aging analysis of our trade payables presented based on the invoice date as of the dates indicated:

| | As of December 31, | | |
|---------------------------|---------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| 0 to 90 days | 385,583 | 559,742 | 815,329 |
| 91 to 180 days | – | 59 | 195 |
| 181 to 365 days | 150 | 53 | 189 |
| Over 365 days | 3,963 | 3,189 | 1,201 |
| Total | 389,696 | 563,043 | 816,914 |

The following table sets forth the turnover days of our trade payables for the years indicated:

| | Year ended December 31, | | |
|---|-------------------------|------|------|
| | 2021 | 2022 | 2023 |
| | <i>(days)</i> | | |
| Trade payables turnover days ⁽¹⁾ | 24.3 | 23.6 | 33.7 |

Note:

- (1) Calculated based on the average of beginning and ending balances of trade payables for that year, divided by the cost of sales for that year, and multiplied by the number of days in that year.

Our trade payables turnover days remained relatively stable at 24.3 days and 23.6 days in 2021 and 2022, respectively. Our trade payables turnover days increased from 23.6 days in 2022 to 33.7 days in 2023, primarily because our trade payables due to third parties and those due to fellow subsidiaries both increased as of December 31, 2023 compared to December 31, 2022, mainly because the payment for some of our purchases, which had a due date coinciding with a public holiday in 2023, was settled on the first business day of 2024.

As of February 29, 2024, RMB796.1 million, or 97.5%, of our trade payables as of December 31, 2023 had been settled.

Amounts Due from Fellow Subsidiaries

As of December 31, 2021, 2022 and 2023, our amounts due from fellow subsidiaries were RMB4,231.7 million, RMB3,536.6 million and nil, respectively. See “— Related Party Transactions and Balances.”

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NET CURRENT ASSETS

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

| | As of December 31, | | | As of |
|--|---------------------------|-------------------------|-------------------------|-------------------------|
| | 2021 | 2022 | 2023 | February 29, 2024 |
| | <i>(RMB in thousands)</i> | | | <i>(unaudited)</i> |
| Current assets | | | | |
| Inventories | 414,089 | 588,120 | 377,380 | 370,722 |
| Trade and other receivables | 505,343 | 563,601 | 682,869 | 605,433 |
| Income tax recoverable | 136,937 | 119,633 | 102,705 | 101,034 |
| Amounts due from fellow subsidiaries | 4,231,684 | 3,536,591 | – | – |
| Amount due from immediate holding company | 19,928 | 21,875 | 22,192 | 22,224 |
| Amount due from intermediate holding company | 736 | 741 | 742 | 742 |
| Fixed bank deposits | 207,557 | 292,302 | 2,297,391 | 2,306,144 |
| Cash and cash equivalents | 1,682,810 | 2,507,631 | 2,074,698 | 924,169 |
| Total current assets | <u>7,199,084</u> | <u>7,630,494</u> | <u>5,557,977</u> | <u>4,330,468</u> |
| Current liabilities | | | | |
| Trade and other payables | 3,869,233 | 4,029,081 | 5,022,065 | 4,025,678 |
| Contract liabilities | 268,912 | 246,660 | 139,355 | 243,266 |
| Amount due to immediate holding company | 1,742 | 1,903 | 1,931 | 1,934 |
| Amount due to intermediate holding company | 1,075 | 1,259 | 1,158 | 1,161 |
| Income tax payable | 28,971 | 33,370 | 7,670 | 6,906 |
| Lease liabilities – due within one year | 15,909 | 17,169 | 16,178 | 14,567 |
| Total current liabilities | <u>4,185,842</u> | <u>4,329,442</u> | <u>5,188,357</u> | <u>4,293,512</u> |
| Net current assets | <u>3,013,242</u> | <u>3,301,052</u> | <u>369,620</u> | <u>36,956</u> |

Our net current assets decreased to RMB37.0 million as of February 29, 2024 from RMB369.6 million as of December 31, 2023, primarily due to a decrease in cash and cash equivalent in relation to the payment for: (i) the expansion of our factories; (ii) some of our purchases, which had a due date coinciding with a public holiday in 2023, being settled on the first business day of 2024; and (iii) acquisition of Wuhan Huaxinda Beverage Technology Co., Ltd. For details on our expansion of factories, see “Business — Our Production — Our Production Expansion Plan.”

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Our net current assets decreased to RMB369.6 million as of December 31, 2023 from RMB3,301.1 million as of December 31, 2022, primarily due to: (i) the combined effect of a decrease in our amounts due from fellow subsidiaries of RMB3,536.6 million and an increase in our long-term fixed bank deposits of RMB1,577.1 million; and (ii) an increase in our trade and other payables in connection with our construction projects and some of our purchases.

Our net current assets remained relatively stable at RMB3,013.2 million and RMB3,301.1 million as of December 31, 2021 and December 31, 2022, respectively, mainly resulting from an increase in cash and cash equivalent related to demand deposit, which was partially offset by a decrease in amounts due from fellow subsidiaries.

INDEBTEDNESS

As of December 31, 2021, 2022 and 2023, our indebtedness included amount due to our immediate holding company, amount due to our intermediate holding company, lease liabilities and amounts due to non-controlling shareholder of a subsidiary. Amounts due to the non-controlling shareholder of a subsidiary arose from our acquisition of Wuhan Huaxinda Beverage Technology Co., Ltd., which had an outstanding loan owed to its prior controlling shareholder as of February 29, 2024. For details on amount due to our immediate holding company and amount due to our intermediate holding company, see note 28 to the Accountants' Report in Appendix I to this document. The following table sets forth some details of our indebtedness as of the dates indicated:

| | As of December 31, | | | As of February 29, |
|--|---------------------------|----------------------|----------------------|-----------------------|
| | 2021 | 2022 | 2023 | 2024 |
| | <i>(RMB in thousands)</i> | | | <i>(unaudited)</i> |
| Amount due to immediate holding company | 1,742 | 1,903 | 1,931 | 1,934 |
| Amount due to intermediate holding company | 1,075 | 1,259 | 1,158 | 1,161 |
| Amounts due to non-controlling shareholder of a subsidiary | - | - | - | 39,181 |
| Lease liabilities | <u>32,698</u> | <u>27,546</u> | <u>35,989</u> | <u>33,141</u> |
| Total indebtedness | <u>35,515</u> | <u>30,708</u> | <u>39,078</u> | <u>75,417</u> |

As of February 29, 2024, our amount due to immediate holding company, intermediate holding company and non-controlling shareholder of a subsidiary were unsecured and unguaranteed. As of the same date, our lease liabilities of RMB32.1 million were unguaranteed and were secured by rental deposits, and our lease liabilities of RMB1.0 million were unsecured and unguaranteed.

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Save as otherwise disclosed, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of February 29, 2024. We had banking facilities of RMB5.5 billion, all of which were unutilized, as of February 29, 2024.

Our Directors confirm that we had neither material defaults in payment of trade and non-trade payables and loans and borrowings, nor any breach of financial covenants during the Track Record Period and up to the Latest Practicable Date which would impact our ability to undertake additional debt financing.

Lease Liabilities

Our current and non-current lease liabilities decreased by 15.8% from RMB32.7 million as of December 31, 2021 to RMB27.5 million as of December 31, 2022, primarily due to relevant rental payments. Our current and non-current lease liabilities increased by 30.7% from RMB27.5 million as of December 31, 2022 to RMB36.0 million as of December 31, 2023, primarily reflecting new office leases in 2023.

CONTINGENT LIABILITIES

As of December 31, 2023, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will not be the case in the future. Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2023 to the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Historically, we have funded our working capital primarily from operating activities. Going forward, we expect to continue to fund our working capital primarily from operating activities and use a portion of the [REDACTED] from the [REDACTED] to fund our working capital requirements. We currently do not have any plans for material additional external financing.

Working Capital Sufficiency

Taking into account the net [REDACTED] from the [REDACTED], cash and cash equivalents balance, cash generated from operating activities and the financial resources available to us, our Directors believe that we have sufficient working capital for our present requirements, that is, for at least 12 months from the date of this document.

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Cash Flows

The following table sets forth selected cash flow statement information for the years indicated:

| | Year ended December 31, | | |
|---|---------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Net cash from operating activities | 827,192 | 844,929 | 1,718,183 |
| Net cash from (used in) investing activities | 681,954 | 1,222 | (2,090,451) |
| Net cash used in financing activities | (19,467) | (21,201) | (60,598) |
| Net increase (decrease) in cash and cash equivalents | 1,489,679 | 824,950 | (432,866) |
| Cash and cash equivalents at the beginning of the year | 191,662 | 1,682,810 | 2,507,631 |
| Effects of foreign exchange rate changes | 1,469 | (129) | (67) |
| Cash and cash equivalents at the end of the year | 1,682,810 | 2,507,631 | 2,074,698 |

Net Cash from Operating Activities

Our cash flows from operating activities reflect our profit before taxation adjusted for: (i) non-cash and non-operating items (such as depreciation of property, plant and equipment and interest income); (ii) the effects of movement in working capital (such as inventories, trade and other receivables, contract liabilities and trade and other payables); and (iii) other cash items (such as income taxes paid).

In 2023, we had net cash generated from operating activities of RMB1,718.2 million, which primarily represents our profit before taxation of RMB1,878.4 million, as adjusted by non-cash and non-operating items, and movements in working capital of: a decrease in inventories of RMB210.7 million, partially offset by: (i) a decrease in contract liabilities of RMB107.3 million; and (ii) an increase in trade and other receivables of RMB62.8 million.

In 2022, we had net cash generated from operating activities of RMB844.9 million, which primarily represents our profit before taxation of RMB1,375.4 million, as adjusted by non-cash and non-operating items, and movements in working capital of: (i) an increase in inventories of RMB174.0 million; (ii) an increase in trade and other receivables of RMB75.7 million; and (iii) a decrease in contract liabilities of RMB22.3 million.

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In 2021, we had net cash generated from operating activities of RMB827.2 million, which primarily represents our profit before taxation of RMB1,205.5 million, as adjusted by non-cash and non-operating items, and movements in working capital of: (i) an increase in trade and other payables of RMB213.2 million; and (ii) an increase in contract liabilities of RMB99.1 million, partially offset by: (i) an increase in inventories of RMB160.2 million; and (ii) an increase in trade and other receivables of RMB111.7 million.

Net Cash from / Used in Investing Activities

Our cash inflows from investing activities primarily consist of proceeds from disposal of financial assets at FVTPL, repayment from fellow subsidiaries and withdrawal of fixed deposit with original maturity of over three months. Our cash outflows from investing activities primarily consist of advances to fellow subsidiaries, purchases of financial assets at FVTPL, purchases of property, plant and equipment and placement of fixed deposit with original maturity of over three months.

In 2023, we had net cash used in investing activities of RMB2,090.5 million, which was primarily attributable to: (i) purchases of financial assets at FVTPL of RMB5,800.0 million; (ii) placement of fixed deposit with original maturity of over three months of RMB4,233.6 million; and (iii) purchases of property, plant and equipment of RMB 2,250.9 million, partially offset by: (i) proceeds from disposal of financial assets at FVTPL of RMB5,863.6 million; and (ii) repayment from fellow subsidiaries of RMB3,551.4 million.

In 2022, we had net cash generated from investing activities of RMB1.2 million, which was primarily attributable to: (i) proceeds from disposal of financial assets at FVTPL of RMB10,349.6 million; and (ii) repayment from fellow subsidiaries of RMB4,492.2 million, partially offset by: (i) purchases of financial assets at FVTPL of RMB10,280.0 million; and (ii) advances to fellow subsidiaries of RMB3,700.0 million.

In 2021, we had net cash generated from investing activities of RMB682.0 million, which was primarily attributable to: (i) repayment from fellow subsidiaries of RMB8,333.7 million; and (ii) proceeds from disposal of financial assets at FVTPL of RMB4,011.1 million, partially offset by: (i) advances to fellow subsidiaries of RMB7,500.0 million; and (ii) purchases of financial assets at FVTPL of RMB4,000.0 million.

Net Cash Used in Financing Activities

Our financing activities primarily include additions and repayment of bank borrowings, repayment of lease liabilities and interest paid.

In 2023, we had net cash used in financing activities of RMB60.6 million, which was primarily attributable to interest paid of RMB42.5 million and repayment of lease liabilities of RMB17.0 million.

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In 2022, we had net cash used in financing activities of RMB21.2 million, which was primarily attributable to repayment of lease liabilities of RMB19.6 million.

In 2021, we had net cash used in financing activities of RMB19.5 million, which was primarily attributable to repayment of lease liabilities of RMB17.6 million.

SELECTED FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the years indicated:

| | As of or for the year ended December 31, | | |
|---|--|-------|-------|
| | 2021 | 2022 | 2023 |
| Gross margin ⁽¹⁾ | 43.8% | 41.7% | 44.7% |
| Net profit margin ⁽²⁾ | 7.6% | 7.8% | 9.9% |
| Return on total assets ⁽³⁾ | 10.1% | 10.0% | 11.3% |
| Return on equity ⁽⁴⁾ | 20.7% | 18.9% | 20.1% |
| Return on invested capital ⁽⁵⁾ | 15.5% | 14.6% | 16.9% |
| Current ratio ⁽⁶⁾ | 1.72x | 1.76x | 1.07x |
| Quick ratio ⁽⁷⁾ | 1.62x | 1.63x | 1.00x |
| Gearing ratio ⁽⁸⁾ | 0.7% | 0.5% | 0.5% |

Notes:

- (1) Gross margin equals gross profit divided by revenue for the year and multiplied by 100%.
- (2) Net profit margin equals profit for the year divided by revenue for the year and multiplied by 100%.
- (3) Return on total assets equals profit for the year divided by the average of the beginning and ending balances of total assets for the year and multiplied by 100%.
- (4) Return on equity equals profit for the year divided by the average of the beginning and ending balances of total equity and multiplied by 100%.
- (5) Return on invested capital equals operating profit (calculated as gross profit less distribution and selling expenses, administrative expenses and research and development costs for the year) multiplied by the difference of one minus effective income tax rate (calculated as income tax expense divided by profit before taxation), divided by invested capital (calculated as the sum of the average of the beginning and ending balances of total equity and total interest-bearing debt (including lease liabilities) for the year), and multiplied by 100%.
- (6) Current ratio equals current assets divided by current liabilities as of the same date.
- (7) Quick ratio equals total current assets less inventories divided by total current liabilities as of the same date.
- (8) Gearing ratio equals total interest-bearing debt (including lease liabilities) divided by total equity and multiplied by 100% as of the same date.

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Gross Margin

See “— Results of Operations” for a discussion of the factors affecting our gross margin during the Track Record Period.

Net Profit Margin

See “— Results of Operations” for a discussion of the factors affecting our net profit margin during the Track Record Period.

Return on Total Assets

Our return on total assets ratio increased from 10.0% in 2022 to 11.3% in 2023, primarily due to the growth rate of our net profit outpacing the growth of our total assets. Our return on total assets ratio remained relatively stable at 10.1% and 10.0% in 2021 and 2022, respectively.

Return on Equity

Our return on equity increased from 18.9% in 2022 to 20.1% in 2023 primarily due to a significant increase in our net profit in 2023, mainly attributable to our business growth. Our return on equity decreased from 20.7% in 2021 to 18.9% in 2022, primarily due to increases in the balance of our total equity.

Return on Invested Capital

Our return on invested capital increased from 14.6% in 2022 to 16.9% in 2023, primarily due to a significant increase in our operating profit in 2023 mainly resulting from our business growth. Our return on invested capital decreased from 15.5% in 2021 to 14.6% in 2022, primarily because the increase in our operating profit was less than the increase in our invested capital.

Current Ratio

Our current ratio decreased from 1.76x as of December 31, 2022 to 1.07x as of December 31, 2023, primarily due to: (i) an increase in our current liabilities mainly in relation to an increase in our trade and other payables; and (ii) a decrease in our current assets mainly in relation to our amounts due from fellow subsidiaries. Our current ratio remained relatively stable at 1.72x and 1.76x as of December 31, 2021 and 2022, respectively.

Quick Ratio

Our quick ratio decreased from 1.63x as of December 31, 2022 to 1.00x as of December 31, 2023, primarily due to: (i) an increase in our current liabilities mainly in relation to an increase in our trade and other payables; and (ii) a decrease in our current assets mainly in relation to our amounts due from fellow subsidiaries. Our quick ratio remained relatively stable at 1.62x and 1.63x as of December 31, 2021 and 2022.

Gearing Ratio

Our gearing ratio decreased from 0.7% as of December 31, 2021 to 0.5% as of December 31, 2022 and remained relatively stable at 0.5% as of December 31, 2023.

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CAPITAL EXPENDITURES

During the Track Record Period, we incurred capital expenditures mainly for purchases of property, plant and equipment, purchases of right-of-use assets and purchases of other non-current assets. Our increasing levels of capital expenditures during the Track Record Period reflect our investments in expansion. The following table sets forth a breakdown of our capital expenditures for the years indicated:

| | Year ended December 31, | | |
|--|---------------------------|----------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>(RMB in thousands)</i> | | |
| Purchases of property, plant and equipment | 314,678 | 722,889 | 2,250,873 |
| Purchases of right-of-use assets | – | 136,458 | 60,867 |
| Purchases of other non-current assets | – | 2,658 | 423 |
| Total | 314,678 | 862,005 | 2,312,163 |

Following the [REDACTED], we are expected to continually incur capital expenditures to grow our business. In particular, we plan to fund our production expansion, including construction of factories and mergers and acquisitions of third parties. We expect to fund these capital expenditures with our available cash resources and a portion of our net [REDACTED] from the [REDACTED], details of which are set forth in “Future Plans and Use of [REDACTED].”

RELATED PARTY TRANSACTIONS AND BALANCES

During the Track Record Period, we entered into a number of related party transactions, pursuant to which: (i) we purchased goods and services from certain related parties; (ii) we purchased construction management services from certain related parties; (iii) we sold goods to certain related parties; (iv) we incurred certain amounts from and due to certain related parties; and (v) we received interest income from certain related parties, among other things. Our Directors believe that our transactions with related parties during the Track Record Period were conducted on normal commercial terms and on an arm’s-length basis, and would not distort our results of operations or make our historical results not reflective of our future performance.

Amounts Due from Fellow Subsidiaries

Our amounts due from fellow subsidiaries were non-trade in nature. As of December 31, 2021 and 2022, our amounts due from fellow subsidiaries were RMB4,231.7 million and RMB3,536.6 million, respectively, representing: (i) certain loans receivable from fellow subsidiaries of RMB3,931.4 million and RMB3,536.6 million as of December 31, 2021 and 2022 which were unsecured and bore a fixed interest rate of 3.50% to 3.85% per annum and 3.10% to 3.60% per annum as of December 31, 2021 and 2022, respectively, with a fixed repayment term of less than one year; and (ii) a capital advance of RMB300.3 million to a fellow subsidiary, which was unsecured and bore a floating interest as of December 31, 2021. As of December 31, 2023, all of our amounts due from fellow subsidiaries that were non-trade in nature had been settled. For further details, see note 28 to the Accountants’ Report in Appendix I to this document.

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OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our activities expose us to a variety of financial risks, namely market risk (including currency and interest rate risk), credit risk and liquidity risk. Our overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market Risk

Currency Risk

We collect most of our revenue and incur most of the expenditures in Renminbi. Our subsidiaries operate in Mainland China and Hong Kong, and have their local currencies as their functional currencies, namely Renminbi and HK dollars, respectively.

We undertake certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. We currently do not have a foreign currency hedging policy. However, the management monitors foreign exchange exposures and will consider hedging significant foreign currency exposures should the need arise.

Interest Rate Risk

We are exposed to fair value interest rate risk in relation to fixed bank deposits, fixed-rate loans receivable from fellow subsidiaries, and lease liabilities. We are exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances, which are incurred at prevailing market interest rates and variable rates based on the interest rates quoted by the People's Bank of China.

Interest Rate Sensitivity

The sensitivity analysis below has been prepared based on the exposure to interest rates for non-derivative instruments (bank balances). The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease for bank balances are used when interest rate risk is reported internally to key management personnel, and such analysis represents management's assessment of the possible change in interest rates in respect of bank deposits.

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At the end of the reporting period, if interest rates had been increased or decreased by 100 basis points in respect of bank deposits and all other variables were held constant, our post-tax profit would increase or decrease by approximately RMB12,621,000, RMB18,807,000 and RMB16,017,000 for each of the years ended December 31, 2021, 2022 and 2023, respectively.

Credit Risk and Impairment Assessment

At the end of each reporting period, our maximum exposure to credit risk which will cause a financial loss to us due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

In order to minimize credit risk, our management has nominated responsible personnel for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. We may require a deposit to be received from most of the customers before acceptance of orders. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, our Directors consider that our credit risk is significantly reduced.

In addition, we perform impairment assessment under the ECL model on trade receivables which are credit-impaired individually. The remaining trade receivables are grouped and assessed on a collective basis based on customers' aging of outstanding balances. Gains on reversal of impairment of RMB9,207,000, impairment losses of RMB21,402,000 and impairment losses of RMB9,542,000 are recognized in profit or loss for each of the years ended December 31, 2021, 2022 and 2023, respectively. Details of the quantitative disclosures are set out below.

The credit risk of other receivables, note receivables, amount due from immediate holding company, amount due from intermediate holding company and amounts due from fellow subsidiaries are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. We also actively monitor the outstanding amounts owed by each debtor and identify any credit risk in a timely manner in order to reduce the risk of a credit-related loss. In this regard, our Directors consider that our credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC. In the opinion of our Directors, the risk of default by these counterparties is not significant and we have assessed that the ECL on these balances are insignificant.

For other receivables, amount due from immediate holding company, amount due from intermediate holding company and amounts due from fellow subsidiaries, our Directors consider the counterparties to be creditworthy based on their past repayment history and subsequent settlement. In the opinion of our Directors, the risk of default by these counterparties is not significant and we have assessed that the ECL on these balances are insignificant.

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The following table sets forth details of the credit risk exposures of our financial assets, which are subject to ECL assessment:

| | External Credit rating | Internal Credit rating | 12m or life-time ECL | Gross carrying amount | | |
|---|------------------------------|------------------------------|--|-----------------------|-----------|-----------|
| | | | | As of December 31, | | |
| | | | | 2021 | 2022 | 2023 |
| <i>(RMB in thousands)</i> | | | | | | |
| Trade receivables | | | | | | |
| Third parties | N/A | (i) | Life-time ECL (not credit-impaired) | 236,340 | 212,233 | 219,036 |
| | | | Loss Credit-impaired | 5,635 | 33,305 | 35,080 |
| Fellow subsidiaries | | Loss risk | Life-time ECL (collective basis) | 35,797 | 25,030 | 13,210 |
| | | | | 277,772 | 270,568 | 267,326 |
| Other receivables, notes receivables, amounts due from immediate holding company, intermediate holding company and fellow subsidiaries . . . | N/A | (ii) | 12m ECL | 4,281,924 | 3,588,070 | 119,936 |
| Bank balances | AAA | Low risk | 12m ECL | 1,890,367 | 2,799,933 | 5,949,144 |

Note:

- (i) For trade receivables, we have applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for credit-impaired debtors, we determine the ECL on these items on a collective basis, grouped by internal credit rating.

As part of our credit risk management, we use debtors' aging to assess the impairment for our customers. The following table sets forth the information about the credit risk exposure on our trade receivables on a collective basis:

| | Less than 1 year | Between 1 year and 2 years | Between 2 years and 3 years | Over 3 years | Total |
|---|---------------------|----------------------------------|-----------------------------------|-----------------|---------|
| <i>(RMB in thousands, except percentages)</i> | | | | | |
| As of December 31, 2021 | | | | | |
| Average loss rate | 0.45% | 29.83% | 49.38% | 100.00% | 1.56% |
| Total gross carrying amount | 265,204 | 1,827 | 5,101 | 5 | 272,137 |
| Lifetime ECL | (1,181) | (545) | (2,519) | (5) | (4,250) |
| | 264,023 | 1,282 | 2,582 | - | 267,887 |
| As of December 31, 2022 | | | | | |
| Average loss rate | 1.49% | 29.60% | 50.15% | 92.66% | 3.64% |
| Total gross carrying amount | 230,861 | 963 | 333 | 5,106 | 237,263 |
| Lifetime ECL | (3,447) | (285) | (167) | (4,731) | (8,630) |
| | 227,414 | 678 | 166 | 375 | 228,633 |
| As of December 31, 2023 | | | | | |
| Average loss rate | 0.47% | 3.33% | 35.96% | 55.73% | 0.66% |
| Total gross carrying amount | 231,232 | 150 | 114 | 750 | 232,246 |
| Lifetime ECL | (1,078) | (5) | (41) | (418) | (1,542) |
| | 230,154 | 145 | 73 | 332 | 230,704 |

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The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As of December 31, 2021, 2022 and 2023, we provided RMB4,250,000, RMB8,630,000 and RMB1,542,000 impairment allowance for trade receivables which is not credit-impaired respectively. Impairment allowance of RMB5,635,000, RMB21,866,000 and RMB35,080,000 were made on credit-impaired debtors respectively.

- (ii) For the purposes of internal credit risk management, we use debtors' aging information to assess whether credit risk has increased significantly since initial recognition. The balances of amounts due from immediate holding company, intermediate holding company and fellow subsidiaries as at 31 December 2021, 2022 and 2023 are all with aging less than one year. In the opinion of our Directors, the risk of default by these counterparties is not significant and we assessed that the ECL on these balances are insignificant.

For further details, see note 34 to the Accountants' Report in Appendix I to this document.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flow.

The following table sets forth details of our contractual maturity for our non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which we can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

| | Weighted average interest rate | On demand or less than 6 months | Between 6 months and 1 year | Between 1 and 5 years | Total undiscounted cash flows | Carrying amount |
|--|--------------------------------------|---------------------------------------|-----------------------------------|-----------------------------|-------------------------------------|-------------------------|
| | (%) | (RMB in thousands) | | | | |
| As of December 31, 2021 | | | | | | |
| Trade payables | N/A | 389,696 | – | – | 389,696 | 389,696 |
| Other payables and accruals | N/A | 3,479,537 | – | – | 3,479,537 | 3,479,537 |
| Amounts due to immediate holding company | N/A | 1,742 | – | – | 1,742 | 1,742 |
| Amounts due to intermediate holding company | N/A | 1,075 | – | – | 1,075 | 1,075 |
| Lease liabilities | 2.22 to 4.35 | 8,666 | 8,493 | 18,309 | 35,468 | 32,698 |
| Total | | <u>3,880,716</u> | <u>8,493</u> | <u>18,309</u> | <u>3,907,518</u> | <u>3,904,748</u> |

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| | Weighted average interest rate | On demand or less than 6 months | Between 6 months and 1 year | Between 1 and 5 years | Total undiscounted cash flows | Carrying amount |
|--|--------------------------------------|---------------------------------------|-----------------------------------|-----------------------------|-------------------------------------|-------------------------|
| | (%) | (RMB in thousands) | | | | |
| As of December 31, 2022 | | | | | | |
| Trade payables | N/A | 563,043 | – | – | 563,043 | 563,043 |
| Other payables and accruals | N/A | 3,466,038 | – | – | 3,466,038 | 3,466,038 |
| Amounts due to immediate holding company | N/A | 1,903 | – | – | 1,903 | 1,903 |
| Amounts due to intermediate holding company | N/A | 1,259 | – | – | 1,259 | 1,259 |
| Lease liabilities | 2.22 to 4.35 | 9,183 | 8,997 | 11,077 | 29,257 | 27,546 |
| Total | | <u>4,041,426</u> | <u>8,997</u> | <u>11,077</u> | <u>4,061,500</u> | <u>4,059,789</u> |
| As of December 31, 2023 | | | | | | |
| Trade payables | N/A | 816,914 | – | – | 816,914 | 816,914 |
| Other payables and accruals | N/A | 4,205,151 | – | – | 4,205,151 | 4,205,151 |
| Amounts due to immediate holding company | N/A | 1,931 | – | – | 1,931 | 1,931 |
| Amounts due to intermediate holding company | N/A | 1,158 | – | – | 1,158 | 1,158 |
| Lease liabilities | 2.22 to 4.35 | 8,872 | 8,696 | 22,300 | 39,868 | 35,989 |
| Total | | <u>5,034,026</u> | <u>8,696</u> | <u>22,300</u> | <u>5,065,022</u> | <u>5,061,143</u> |

DIVIDEND POLICY

Our Company is a holding company registered by way of continuation under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will depend on the availability of dividends received from our subsidiaries.

During the Track Record Period, no dividend was declared or paid by the Company. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. We currently do not have a pre-determined dividend payout ratio.

Distribution of dividends shall be decided by our Board of Directors at their discretion in compliance with the applicable laws and regulations. A decision to declare or to pay any dividends and the amount thereof depends on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits of our subsidiaries and dividends they pay to us, future plans and business prospects, market conditions, the Articles, regulatory restrictions and our contractual obligations. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. There can be no assurance that dividends of any amount will be declared or distributed in any year.

FINANCIAL INFORMATION

DISTRIBUTABLE RESERVES

As of December 31, 2023, our Company had retained earnings of RMB192.8 million, which is equal to the amount of the distributable reserve of our Company.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See Appendix II to this document for details on our unaudited [REDACTED] adjusted consolidated net tangible assets.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or [REDACTED] position or prospects since December 31, 2023 (being the date of our latest audited financial statements) and there has been no event since December 31, 2023 which would materially affect the information shown in the Accountants’ Report set out in Appendix I to this document.

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] and other fees incurred in connection with the [REDACTED]. We expect to incur [REDACTED] expenses of approximately RMB[REDACTED] (HK\$[REDACTED]), comprising: (i) [REDACTED] related expenses of RMB[REDACTED] (HK\$[REDACTED]); and (ii) [REDACTED] expenses of RMB[REDACTED] (HK\$[REDACTED]), which are further categorized into: (a) fees and expenses of legal advisors and accountants of RMB[REDACTED] (HK\$[REDACTED]); and (b) other fees and expenses of RMB[REDACTED] (HK\$[REDACTED]), assuming the [REDACTED] is not exercised and based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the [REDACTED] range), approximately RMB[REDACTED] (HK\$[REDACTED]) of which has been charged to our consolidated statements of profit or loss, approximately RMB[REDACTED] (HK\$[REDACTED]) of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[REDACTED] (HK\$[REDACTED]) of which is expected to be capitalized and will be deducted from equity upon the completion of the [REDACTED]. The [REDACTED] expenses are expected to represent approximately [REDACTED]% of the [REDACTED] of the [REDACTED], assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range) and that the [REDACTED] is not exercised. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS

See “Business — Our Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

Assuming that the [REDACTED] is not exercised, after deducting the [REDACTED] and other estimated [REDACTED] expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] and HK\$[REDACTED]), we estimate that we will receive net [REDACTED] of approximately HK\$[REDACTED] from the [REDACTED]. We intend to use the [REDACTED] from the [REDACTED] for the purposes and in the amounts set forth below:

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for the strategic expansion and optimization of production capacity to increase our overall supply chain efficiency.

Expansion of production capacity and optimization of supply chain efficiency is among our core strategies. Such strategies are expected to significantly enhance our ability to meet customer needs promptly and efficiently, increase our market share, strengthen our operational efficiency, and continually improve profitability. We plan to continue to expand the layout of our self-owned production capacity through the “1+N” model, which includes: (i) construction of new self-owned factories; and (ii) expansion and improvement of existing factories. We intend to grow our production capacity by upgrading existing equipment and facilities, and procure new equipment and construct new facilities. We also intend to refine our production techniques, to cater to the diverse needs of our customers for packaged drinking water and beverage products. We aim to further achieve cost reduction and efficiency improvement alongside our sales growth. In addition, we plan to expand and extend our production lines to cover the entire industry value chain. In particular, we plan to focus on the upgrade of injection molding process, which is expected to improve our profit margins. For details, see “Business — Our Production — Our Production Expansion Plan.”

In particular, we plan to construct new factories and expand existing factories in Zhejiang province, Hubei province, Chongqing and Shanghai to meet the increasing market demand. Such construction and expansion are expected to be completed between 2025 and 2026. These factories are expected to produce packaged drinking water and beverage products. Furthermore, we plan to purchase injection molding equipment for the Zhaoqing Factory;

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for accelerating the expansion of sales channels and enhancing channel efficiency. In particular, we intend to purchase and deploy commercial refrigerator showcases and smart terminal retail equipment to enhance our brand visibility and improve brand image. We intend to secure prime retail points of sale and incentivize them to allocate more resources to the display and sale of our products, so as to attract more consumers and improve their shopping experience in turn boosting sales at the terminal level (especially during the peak sales seasons in summer). In addition, the introduction of commercial refrigerator showcases and smart terminal retail equipment is a critical step in increasing our SKU counts at the terminal level, especially for the purpose of promoting our beverage products. In particular, we plan to allocate:
 - (i) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for purchasing commercial refrigerator showcases. In summer, during which we typically experience higher sales than in other periods of the year, chilled drinks are preferred by consumers. We believe that placing commercial refrigerator showcases at terminal retail points of sale is expected to improve our products’ visibility and tastes, enhance our brand image, and increase our sales volume during peak sales seasons; and
 - (ii) approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for purchasing smart terminal retail equipment. These pieces of equipment are expected to be strategically placed at key sales points of regional markets, such as schools, hospitals, factories, tourist attractions and transportation hubs to continually enhance our brand recognition, product sales and network coverage;
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for conducting sales and marketing activities, to enhance the brand vitality, strengthen the brand image, and improve sales performance. Our marketing and promotion expenses were RMB1,046.6 million, RMB963.3 million and RMB1,074.2 million in 2021, 2022 and 2023, respectively. Our historical sales and marketing activities have enabled us to significantly increase our exposure to target consumers and build strong brand awareness. Going forward, we plan to continue to increase and optimize our sales and marketing efforts. In particular, we plan to: (i) continually carry out sports marketing campaigns, to strengthen our brand image as a leader in sports marketing by forming close collaboration with TEAM CHINA and the Chinese Football Association Super League, among others; (ii) conduct marketing activities through the Internet, television advertisements and variety shows as well as new media platforms such as short-form videos, and build private domain traffic; and (iii) implement in-transit marketing, including advertising on buses and outdoor billboards, inside elevators and at transportation hubs;

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for enhancing our product R&D capabilities to continually extend new product categories and SKUs. Through strong R&D capabilities, product brands and sales channels, we are committed to the continued creation of hit products that are deeply recognized by consumers. We plan to: (i) recruit and retain talents experienced in R&D in the soft beverage industry; (ii) increase our investments in laboratory equipment for basic and applied research; (iii) strengthen our collaboration with top-tier universities and research institutes to conduct basic and applied research; (iv) continue our expansion and optimization of our product portfolio through the development of new ingredients, new techniques and new flavors to create more products that consumers prefer; (v) conduct in-depth consumer research to gather market insights; and (vi) conduct research in specific areas such as packaging materials, water resources product quality and food safety and reinforce our leading position through expansion of product categories and improvement of product quality;
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for digitalization upgrades, including bolstering our digitalization capabilities across processes encompassing sales, operations, production and logistics, among other things, thereby improving our operational efficiency. We plan to build a comprehensive digitalized system across the following aspects: (i) connecting systems from end to end, including establishing an “integrated production and sales platform,” which synergizes demand, forecasting, planning, procurement, production and execution into a centralized management system, and a “digitalized supply chain quality management system,” which amalgamates the quality control systems of the entire supply chain processes from raw materials, to factories, and further to distribution channels and retail points of sale; (ii) promoting data integration, including building data platforms, data middle office, unified business and finance information systems, and digitalized closed-loop management of people, products and places; (iii) strengthening value chain modules, including “smart factory system,” “promotion resource management system,” and “terminal operation digital platform”; and (iv) upgrading existing systems and infrastructure, and connecting the same with new information platforms and systems. We intend to expand our in-house team by recruiting qualified IT professionals specialized in digital transformation;
- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], for potential investment, merger and acquisition opportunities. In the next few years, combining our own funds with [REDACTED] from the [REDACTED], we intend to grasp market opportunities to identify potential targets in China and overseas for acquisition, and invest in and acquire valuable assets or brands along the industry value chain, so as to increase the market share of our products and/or enhance our operational efficiency to accelerate growth. When evaluating potential targets, we will mainly consider the following: (i) whether the investment in, or merger with and acquisition of, the target can generate synergistic effects in relation to our development plans; and (ii) evaluation indicators of the target that concern

FUTURE PLANS AND USE OF [REDACTED]

production, sales, operational and financial metrics, and/or regulatory compliance, among other things. As of the Latest Practicable Date, we have not identified any potential investment or acquisition target or entered into any definite investment or acquisition agreement; and

- approximately [REDACTED]% of the net [REDACTED], or HK\$[REDACTED], as working capital and for general corporate uses.

In the event that the [REDACTED] is set at the maximum [REDACTED] or the minimum [REDACTED] of the indicative [REDACTED] range, the net [REDACTED] of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED].

The additional net [REDACTED] that we would receive if the [REDACTED] were exercised in full would be: (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the maximum [REDACTED] of the indicative [REDACTED] range); (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range); and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the minimum [REDACTED] of the indicative [REDACTED] range).

To the extent that the net [REDACTED] from the [REDACTED] are either more or less than expected, we will adjust our allocation of the net [REDACTED] for the above purposes on a pro rata basis.

To the extent that the net [REDACTED] of the [REDACTED] are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, we may deposit such funds into interest-bearing bank accounts for so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would hinder the development of any of our projects, or the occurrence of force majeure events, the Directors will carefully evaluate the situation and may reallocate the net [REDACTED] from the [REDACTED]. We will issue an appropriate announcement if there is any material change to the above proposed use of [REDACTED] in accordance with the Listing Rules.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-55, received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte.

德勤

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA RESOURCES BEVERAGE (HOLDINGS) COMPANY LIMITED AND BOCI ASIA LIMITED, CITIC SECURITIES (HONG KONG) LIMITED, MERRILL LYNCH (ASIA PACIFIC) LIMITED AND UBS SECURITIES HONG KONG LIMITED (IN ALPHABETICAL ORDER)

Introduction

We report on the historical financial information of China Resources Beverage (Holdings) Company Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-55, which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023, the statements of financial position of the Company as at 31 December 2021, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2023 (the “Track Record Period”) and a summary of 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-55 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] of 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 and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company 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

APPENDIX I

ACCOUNTANTS' REPORT

Public Accountants (the "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' judgment, 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 and presentation set out in note 2 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 of the Company, 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 Group's and the Company's financial position as at 31 December 2021, 2022 and 2023, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 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-3 have been made.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividend was declared or paid by the Company and the group entities comprising the Group in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
[Date]

APPENDIX I

ACCOUNTANTS' REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("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.

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | NOTES | Year ended 31 December | | |
|---|-------|------------------------|-------------|-------------|
| | | 2021 | 2022 | 2023 |
| | | RMB'000 | RMB'000 | RMB'000 |
| Revenue | 6 | 11,339,881 | 12,622,776 | 13,514,728 |
| Cost of sales | | (6,368,515) | (7,363,672) | (7,479,514) |
| Gross profit | | 4,971,366 | 5,259,104 | 6,035,214 |
| Other income | 7 | 295,956 | 340,172 | 367,246 |
| Other gains and losses | 8 | (10,577) | (3,187) | (14,622) |
| Impairment losses under expected credit loss model, net of reversal | | 9,480 | (27,222) | (3,817) |
| Distribution and selling expenses | | (3,756,727) | (3,877,617) | (4,086,510) |
| Administrative expenses | | (253,238) | (265,029) | (300,562) |
| Research and development costs | | (48,979) | (49,179) | (61,510) |
| Finance costs | 9 | (1,782) | (1,617) | (42,516) |
| [REDACTED] expense | | – | – | (14,490) |
| Profit before taxation | | 1,205,499 | 1,375,425 | 1,878,433 |
| Income tax expense | 10 | (347,358) | (386,704) | (547,063) |
| Profit for the year | 11 | 858,141 | 988,721 | 1,331,370 |
| Profit (loss) attributable to: | | | | |
| – Owners of the Company | | 858,141 | 989,808 | 1,329,341 |
| – Non-controlling interests | | – | (1,087) | 2,029 |
| | | 858,141 | 988,721 | 1,331,370 |
| Other comprehensive (expense) income: | | | | |
| Item that will not be reclassified subsequently to profit or loss: | | | | |
| Exchange differences on translation from functional currency to presentation currency | | (134,320) | 443,543 | 95,270 |
| Item that may be reclassified subsequently to profit or loss: | | | | |
| Exchange differences arising on translation of foreign operations | | 135,759 | (443,557) | (95,318) |
| Total comprehensive income for the year | | 859,580 | 988,707 | 1,331,322 |
| Total comprehensive income (expense) attributable to: | | | | |
| – Owners of the Company | | 859,580 | 989,794 | 1,329,293 |
| – Non-controlling interests | | – | (1,087) | 2,029 |
| | | 859,580 | 988,707 | 1,331,322 |
| Earnings per share, in RMB: | | | | |
| Basic | 13 | 0.43 | 0.49 | 0.66 |

APPENDIX I

ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | | As at 31 December | | |
|---|----|--------------------------|------------------|------------------|
| | | 2021 | 2022 | 2023 |
| <i>NOTES</i> | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current Assets | | | | |
| Property, plant and equipment | 15 | 1,383,153 | 2,007,978 | 4,809,703 |
| Right-of-use assets | 16 | 182,254 | 463,799 | 518,035 |
| Deferred tax assets | 18 | 256,894 | 310,179 | 243,463 |
| Deposits for acquisition of property, plant and equipment and leasehold land | | 66,295 | 189,325 | 292,566 |
| Fixed bank deposits | 21 | – | – | 1,577,055 |
| Other non-current assets | | 760 | 3,069 | 2,955 |
| | | <u>1,889,356</u> | <u>2,974,350</u> | <u>7,443,777</u> |
| Current Assets | | | | |
| Inventories | 19 | 414,089 | 588,120 | 377,380 |
| Trade and other receivables | 20 | 505,343 | 563,601 | 682,869 |
| Income tax recoverable | | 136,937 | 119,633 | 102,705 |
| Amounts due from fellow subsidiaries | 28 | 4,231,684 | 3,536,591 | – |
| Amount due from immediate holding company | 28 | 19,928 | 21,875 | 22,192 |
| Amount due from intermediate holding company | 28 | 736 | 741 | 742 |
| Fixed bank deposits | 21 | 207,557 | 292,302 | 2,297,391 |
| Cash and cash equivalents | 21 | 1,682,810 | 2,507,631 | 2,074,698 |
| | | <u>7,199,084</u> | <u>7,630,494</u> | <u>5,557,977</u> |
| Current Liabilities | | | | |
| Trade and other payables | 23 | 3,869,233 | 4,029,081 | 5,022,065 |
| Contract liabilities | 24 | 268,912 | 246,660 | 139,355 |
| Amount due to immediate holding company | 28 | 1,742 | 1,903 | 1,931 |
| Amount due to intermediate holding company | 28 | 1,075 | 1,259 | 1,158 |
| Income tax payable | | 28,971 | 33,370 | 7,670 |
| Lease liabilities – due within one year | 25 | 15,909 | 17,169 | 16,178 |
| | | <u>4,185,842</u> | <u>4,329,442</u> | <u>5,188,357</u> |
| Net Current Assets | | <u>3,013,242</u> | <u>3,301,052</u> | <u>369,620</u> |
| Total Assets Less Current Liabilities | | <u>4,902,598</u> | <u>6,275,402</u> | <u>7,813,397</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| | | As at 31 December | | |
|---|--------------|--------------------------|-------------------------|-------------------------|
| | <i>NOTES</i> | 2021 | 2022 | 2023 |
| | | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Capital and Reserves | | | | |
| Share capital | 26 | 7 | 7 | 7 |
| Reserves | | <u>4,583,964</u> | <u>5,573,758</u> | <u>6,903,051</u> |
| Equity attributable to owners of the Company | | 4,583,971 | 5,573,765 | 6,903,058 |
| Non-controlling interests | | <u>–</u> | <u>322,013</u> | <u>469,715</u> |
| Total Equity | | <u><u>4,583,971</u></u> | <u><u>5,895,778</u></u> | <u><u>7,372,773</u></u> |
| Non-current Liabilities | | | | |
| Deferred tax liabilities | 18 | 188,989 | 240,998 | 310,072 |
| Lease liabilities – due after one year | 25 | 16,789 | 10,377 | 19,811 |
| Deferred income | 22 | <u>112,849</u> | <u>128,249</u> | <u>110,741</u> |
| | | <u>318,627</u> | <u>379,624</u> | <u>440,624</u> |
| | | <u><u>4,902,598</u></u> | <u><u>6,275,402</u></u> | <u><u>7,813,397</u></u> |

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ACCOUNTANTS' REPORT

COMPANY'S STATEMENTS OF FINANCIAL POSITION

| | NOTES | As at 31 December | | |
|---|-------|-------------------|----------------|----------------|
| | | 2021 | 2022 | 2023 |
| | | RMB'000 | RMB'000 | RMB'000 |
| Non-current Asset | | | | |
| Investment in a subsidiary | 17 | 685,718 | 685,718 | 685,718 |
| Current Assets | | | | |
| Other receivables | 20 | 29 | 102 | 2,270 |
| Amount due from immediate holding company | 28 | 19,892 | 21,825 | 22,142 |
| Fixed bank deposits | | 7,557 | 8,301 | 8,819 |
| Cash and cash equivalents | | 63 | 69 | 69 |
| | | <u>27,541</u> | <u>30,297</u> | <u>33,300</u> |
| Current Liabilities | | | | |
| Amount due to a subsidiary | 28 | 7,477 | 8,232 | 25,231 |
| Amount due to intermediate holding company | 28 | 922 | 1,100 | 986 |
| | | <u>8,399</u> | <u>9,332</u> | <u>26,217</u> |
| Net Current Assets | | <u>19,142</u> | <u>20,965</u> | <u>7,083</u> |
| Total Assets Less Current | | | | |
| Liabilities | | <u>704,860</u> | <u>706,683</u> | <u>692,801</u> |
| Capital and Reserves | | | | |
| Share capital | 26 | 7 | 7 | 7 |
| Reserves | 27 | 704,853 | 706,676 | 692,794 |
| Total Equity | | <u>704,860</u> | <u>706,683</u> | <u>692,801</u> |

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to owners of the Company | | | | | Non-controlling interests | Total |
|---|---------------------------------------|-----------------------------------|------------------|-----------------------------------|------------------|---------------------------|------------------|
| | Share capital | Capital reserve | Exchange reserve | Retained profits | Sub-total | | |
| | <i>RMB'000</i> | <i>RMB'000</i> <i>(note a)</i> | <i>RMB'000</i> | <i>RMB'000</i> <i>(note b)</i> | <i>RMB'000</i> | | |
| At 1 January 2021 | <u>7</u> | <u>500,000</u> | <u>(21,047)</u> | <u>3,245,431</u> | <u>3,724,391</u> | <u>–</u> | <u>3,724,391</u> |
| Profit for the year | <u>–</u> | <u>–</u> | <u>–</u> | <u>858,141</u> | <u>858,141</u> | <u>–</u> | <u>858,141</u> |
| Exchange differences | <u>–</u> | <u>–</u> | <u>1,439</u> | <u>–</u> | <u>1,439</u> | <u>–</u> | <u>1,439</u> |
| Total comprehensive income for the year | <u>–</u> | <u>–</u> | <u>1,439</u> | <u>858,141</u> | <u>859,580</u> | <u>–</u> | <u>859,580</u> |
| At 31 December 2021 | <u>7</u> | <u>500,000</u> | <u>(19,608)</u> | <u>4,103,572</u> | <u>4,583,971</u> | <u>–</u> | <u>4,583,971</u> |
| Profit (loss) for the year | <u>–</u> | <u>–</u> | <u>–</u> | <u>989,808</u> | <u>989,808</u> | <u>(1,087)</u> | <u>988,721</u> |
| Exchange differences | <u>–</u> | <u>–</u> | <u>(14)</u> | <u>–</u> | <u>(14)</u> | <u>–</u> | <u>(14)</u> |
| Total comprehensive (expense) income for the year | <u>–</u> | <u>–</u> | <u>(14)</u> | <u>989,808</u> | <u>989,794</u> | <u>(1,087)</u> | <u>988,707</u> |
| Acquisition of a subsidiary <i>(note 30)</i> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>323,100</u> | <u>323,100</u> |
| At 31 December 2022 | <u>7</u> | <u>500,000</u> | <u>(19,622)</u> | <u>5,093,380</u> | <u>5,573,765</u> | <u>322,013</u> | <u>5,895,778</u> |

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| | Attributable to owners of the Company | | | | | | Total |
|---|---------------------------------------|-----------------------------------|------------------|-----------------------------------|------------------|---------------------------|------------------|
| | Share capital | Capital reserve | Exchange reserve | Retained profits | Sub-total | Non-controlling interests | |
| | <i>RMB'000</i> | <i>RMB'000</i> <i>(note a)</i> | <i>RMB'000</i> | <i>RMB'000</i> <i>(note b)</i> | <i>RMB'000</i> | <i>RMB'000</i> | |
| Profit for the year | – | – | – | 1,329,341 | 1,329,341 | 2,029 | 1,331,370 |
| Exchange differences . . . | – | – | (48) | – | (48) | – | (48) |
| Total comprehensive (expense) income for the year | – | – | (48) | 1,329,341 | 1,329,293 | 2,029 | 1,331,322 |
| Acquisition of a subsidiary (note 30) . . . | – | – | – | – | – | 83,983 | 83,983 |
| Capital contribution of subsidiaries from non- controlling interest . . . | – | – | – | – | – | 61,690 | 61,690 |
| At 31 December 2023 . . | <u>7</u> | <u>500,000</u> | <u>(19,670)</u> | <u>6,422,721</u> | <u>6,903,058</u> | <u>469,715</u> | <u>7,372,773</u> |

Notes:

- (a) Capital reserve represented the additional paid up capital injected by a former shareholder of the Company in 2011.
- (b) Amounts of RMB525,401,000, RMB701,770,000 and RMB828,432,000 of statutory surplus reserve are included in the retained profits as at 31 December 2021, 2022 and 2023, respectively. The statutory surplus reserve represents the amount transferred from net profit for the year of the subsidiaries established in the People’s Republic of China (the “PRC”) in accordance with the relevant PRC laws until the statutory surplus reserve reaches 50% of the registered capital of the subsidiaries. The statutory surplus reserve cannot be reduced except either use to set off the accumulated losses or increase capital.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Year ended 31 December | | |
|---|------------------------|----------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| OPERATING ACTIVITIES | | | |
| Profit before taxation | 1,205,499 | 1,375,425 | 1,878,433 |
| Adjustments for: | | | |
| Interest income | (179,045) | (148,702) | (193,579) |
| Finance costs | 1,782 | 1,617 | 42,516 |
| Investment income from financial assets at fair value through profit or loss (“FVTPL”) | (11,060) | (69,559) | (63,551) |
| Impairment losses under expected credit loss model, net of reversal | (9,480) | 27,222 | 3,817 |
| Depreciation of property, plant and equipment | 248,464 | 302,698 | 440,107 |
| Depreciation of right-of-use assets | 23,690 | 23,045 | 23,737 |
| Amortisation of other non-current assets | 104 | 349 | 537 |
| Loss on disposal of property, plant and equipment | 6,780 | 3,365 | 13,840 |
| Amortisation of government grants | (19,944) | (17,010) | (17,508) |
| Reversal of long outstanding payables | (9,606) | (12,916) | (10,906) |
| Operating cash flows before movements in working capital | 1,257,184 | 1,485,534 | 2,117,443 |
| (Increase) decrease in inventories | (160,220) | (174,031) | 210,740 |
| Increase in trade and other receivables | (111,693) | (75,718) | (62,821) |
| Increase (decrease) in contract liabilities | 99,072 | (22,252) | (107,305) |
| Increase (decrease) in trade and other payables | 213,169 | (2,596) | (19,829) |
| Cash generated from operations | 1,297,512 | 1,210,937 | 2,138,228 |
| Income taxes paid | (470,320) | (366,008) | (420,045) |
| NET CASH FROM OPERATING ACTIVITIES | 827,192 | 844,929 | 1,718,183 |
| INVESTING ACTIVITIES | | | |
| Interest received | 41,454 | 51,569 | 121,266 |
| Proceeds from disposal of financial assets at FVTPL | 4,011,060 | 10,349,559 | 5,863,551 |
| Proceeds of disposal of property, plant and equipment | 2,475 | 2,293 | 8,450 |
| Purchases of financial assets at FVTPL | (4,000,000) | (10,280,000) | (5,800,000) |
| Purchases of property, plant and equipment | (314,678) | (722,889) | (2,250,873) |

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| | NOTE | Year ended 31 December | | |
|---|------|-------------------------|-------------------------|-------------------------|
| | | 2021 | 2022 | 2023 |
| | | RMB'000 | RMB'000 | RMB'000 |
| Purchases of right-of-use assets | | – | (136,458) | (60,867) |
| Purchases of other non-current assets | | – | (2,658) | (423) |
| Net cash inflow from acquisitions of | | | | |
| subsidiaries | 30 | – | 35 | – |
| Advances to fellow subsidiaries | | (7,500,000) | (3,700,000) | – |
| Repayment from fellow subsidiaries | | 8,333,745 | 4,492,226 | 3,551,429 |
| Advance to intermediate holding company | | (16) | (7) | – |
| Repayment from intermediate holding company | | 3 | 2 | – |
| Advance to immediate holding company | | (25) | (115) | – |
| Placement of fixed deposit with original maturity | | | | |
| over three months | | (214,374) | (504,301) | (4,233,569) |
| Withdrawal of fixed deposit with original | | | | |
| maturity over three months | | 221,198 | 419,556 | 710,585 |
| Receipt of government grants relating to assets | | 101,112 | 32,410 | – |
| NET CASH FROM (USED IN) INVESTING | | | | |
| ACTIVITIES | | <u>681,954</u> | <u>1,222</u> | <u>(2,090,451)</u> |
| FINANCING ACTIVITIES | | | | |
| Additions of bank borrowings | | – | – | 5,900,000 |
| Repayment of bank borrowings | | – | – | (5,900,000) |
| Repayment to intermediate holding company | | (50) | (16) | (6) |
| Repayment of lease liabilities | | (17,635) | (19,568) | (17,027) |
| Interest paid | | (1,782) | (1,617) | (42,516) |
| Issue costs paid | | – | – | (1,049) |
| NET CASH USED IN FINANCING | | | | |
| ACTIVITIES | | <u>(19,467)</u> | <u>(21,201)</u> | <u>(60,598)</u> |
| NET INCREASE (DECREASE) IN CASH AND | | | | |
| CASH EQUIVALENTS | | <u>1,489,679</u> | <u>824,950</u> | <u>(432,866)</u> |
| CASH AND CASH EQUIVALENTS AT | | | | |
| BEGINNING OF THE YEAR | | <u>191,662</u> | <u>1,682,810</u> | <u>2,507,631</u> |
| Effect of foreign exchange rate changes | | 1,469 | (129) | (67) |
| TOTAL CASH AND CASH EQUIVALENTS AT | | | | |
| END OF THE YEAR, REPRESENTED BY | | | | |
| Cash and cash equivalents | | <u><u>1,682,810</u></u> | <u><u>2,507,631</u></u> | <u><u>2,074,698</u></u> |

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ACCOUNTANTS’ REPORT

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

China Resources Beverage (Holdings) Company Limited (formerly known as China Resources Beverages (Greater China) Company Limited, China Resources Kirin Beverages (Greater China) Company Limited and Hua Yao Investments Limited (the “Company”)) is a British Virgin Islands (“BVI”) business company with limited liability incorporated in the BVI on 4 July 1995 and was re-domiciled from the BVI to the Cayman Islands on 16 April 2024. Its immediate holding company is CRH (Beverage) Limited (incorporated in BVI) and the directors of the Company consider the ultimate holding company to be China Resources Company Limited, a company established in the PRC.

The address of the registered office of the Company is 4th Floor, Harbour Place, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and principal place of business of the Company is High-tech Industrial Park (North District), No. 22 Langshan Road, Nanshan District, Shenzhen, PRC.

The Company acts as an investment holding company. Its subsidiaries are primarily engaged in manufacturing and distribution of packaged drinking water, and the particulars of the Company’s subsidiaries are set out in note 36.

The Company’s functional currency is Hong Kong dollars (“HK\$”). The Group’s revenue and cash flows are primarily generated from the operation of manufacturing and distribution of packaged drinking water of the subsidiaries of which the functional currency is RMB. In order to reduce the impact of foreign exchange movements on reported results so as to better reflect the underlying performance of the Group, the Historical Financial Information are presented in RMB.

2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”).

In preparing for the [REDACTED] of the shares of the Company on the Stock Exchange, the Company is re-domiciled from the BVI to Cayman Islands and the re-domiciliation is completed on 16 April 2024. The registered office of the Company is changed from Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, the BVI to 4th Floor, Harbour Place, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. The name of the Company has been changed to China Resources Beverage (Holdings) Company Limited on 11 September 2023. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis since the Company maintained control over the subsidiaries during the Track Record Period or from the acquisition date for the acquired entities as detailed in note 30.

3. APPLICATION OF HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with Hong Kong Accounting Standards (“HKAS”), HKFRSs, amendments to interpretations issued by the HKICPA, which are effective for the accounting period beginning on 1 January 2023 throughout the Track Record Period.

New and amendments to HKFRSs in issue but not yet effective

At the date of this report, the Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

| | |
|--|--|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹ |
| Amendments to HKFRS 16. | Lease Liability in a Sale and Leaseback ² |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ² |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ² |
| Amendments to HKAS 7 and HKFRS 7. | Supplier Finance Arrangements ² |
| Amendments to HKAS 21 | Lack of Exchangeability ³ |

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¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of the above amendments to HKFRSs will have no material impact on the Company’s consolidated financial statements in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and/or disclosure purposes in these Historical Financial Information is determined on such a basis, except for leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value of inventories that are accounted for in accordance with HKFRS 2 *Share-based Payment* or value in use in impairment of assets that are accounted for in accordance with HKAS 36 *Impairment of Assets*.

The principal accounting policies are set out below:

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date of the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owner of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries or business is attributed to the owner of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

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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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Investment in a subsidiary

Investment in a subsidiary is stated in the statements of financial position of the Company at cost less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings and machinery in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of property, plant and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs;
or

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- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

For contracts that contain variable consideration volume-based rebates, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Sale with a right of return

For a sale of products with a right of return for dissimilar products, the Group recognises all of the following:

- revenue for the transferred products in the amount of consideration to which the Group expects to be entitled (therefore, revenue would not be recognised for the products expected to be returned);
- a refund liability; and
- an asset (and corresponding adjustment to cost of sales) for its right to recover products from customers and are presented as right to returned goods asset.

Impairment on property, plant and equipment, right-of-use assets and other non-current assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of property, plant and equipment, right-of-use assets and other non-current assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit ("CGU")) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

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Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or the group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU or the group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of land and buildings 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 lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

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The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

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A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant tax authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 “Revenue from Contracts with Customers (“HKFRS 15”). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (“FVTOCI”) or designated as FVTOCI are measured at FVTPL.

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Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income" line item in profit or loss.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from fellow subsidiaries, intermediate holding company, immediate holding company and bank balances and cash) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables (including trade related amounts due from fellow subsidiaries).

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivable are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information. For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and amounts due from fellow subsidiaries where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities of the Group (including trade and other payables, amount due to immediate holding company and amount due to intermediate holding company) are subsequently measured at amortised cost using effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Variable consideration for volume rebates

The Group estimates variable consideration to be included in the transaction price for the sales of products with volume rebates.

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The Group’s volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer will likely be entitled to a rebate depends on the customer’s accumulated purchases to date.

The Group updates its assessment of expected volume rebates on a monthly basis and the sales discount and rebate payables are adjusted accordingly. Estimates of expected volume rebates are sensitive to changes in circumstances and the Group’s experience regarding rebate entitlements may not be representative of a customer’s actual rebate entitlements in the future.

Provision of ECL for trade receivables

The Group estimates the amount of loss allowance for ECL on trade receivables that are measured at amortised cost based on their respective credit risks. The measurement of ECL requires the application of significant judgment which include the expected future cash flows and forward-looking macroeconomic factors. The loss allowance amount is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2021, 2022 and 2023, the carrying amounts of trade receivables are RMB267,887,000, RMB240,072,000 and RMB230,704,000 net of allowance of RMB9,885,000 and RMB30,496,000 and RMB36,622,000, respectively.

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual or expected useful lives of property, plant and equipment is less than the original estimate useful lives or revision of estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31 December 2021, 2022 and 2023, the carrying amounts of property, plant and equipment was approximately RMB1,383,153,000, RMB2,007,978,000 and RMB4,809,703,000, respectively.

Deferred tax asset

The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than or more than expected, a reversal or a recognition of deferred tax assets would be recognised in profit or loss in the year in which such a reversal or recognition takes place. As at 31 December 2021, 2022 and 2023, the carrying amount of deferred tax assets was approximately RMB256,894,000, RMB310,179,000, and RMB243,463,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from sale of packaged drinking water and beverages net of return and allowance during the Track Record Period.

Disaggregation of revenue

| | Year ended 31 December | | |
|--|------------------------|-------------------|-------------------|
| | 2021 | 2022 | 2023 |
| | RMB’000 | RMB’000 | RMB’000 |
| Types of goods | | | |
| Sales of packaged drinking water | 10,817,805 | 11,905,738 | 12,446,560 |
| Sales of beverages | 522,076 | 717,038 | 1,068,168 |
| Total | 11,339,881 | 12,622,776 | 13,514,728 |

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| | Year ended 31 December | | |
|--------------------------------------|------------------------|-------------------|-------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Timing of revenue recognition | | | |
| At a point in time | <u>11,339,881</u> | <u>12,622,776</u> | <u>13,514,728</u> |
| Geographical markets* | | | |
| Southern region | 4,368,373 | 4,333,433 | 4,391,811 |
| Eastern region | 2,809,599 | 3,635,992 | 4,006,147 |
| Southwestern region | 1,463,676 | 1,719,123 | 1,897,664 |
| Other regions | <u>2,698,233</u> | <u>2,934,228</u> | <u>3,219,106</u> |
| Total | <u>11,339,881</u> | <u>12,622,776</u> | <u>13,514,728</u> |

* Southern, eastern and southwestern regions are in Mainland China whereas other regions include other regions in Mainland China, Hong Kong and Macau.

Performance obligations for contracts with customers

The Group recognises the revenue at a point in time when the control of products is transferred to the customer, i.e. when the goods have been placed at or delivered to customer’s specific location. The Group requires certain customers to provide deposits. When the Group receives a deposit before delivery of goods, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

Some contracts for the sale of goods provide customers with rights of return and volume rebates, which give rise to variable consideration.

Rights of return

For contracts which provide a customer with a right of return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. The amount of sales return is insignificant to the Group during the Track Record Period.

Variable consideration: volume-based rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the year exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a liability for the expected future rebates is recognised.

Transaction price allocated to the remaining performance obligation for contracts with customers

The performance obligation under the contract for the sales of packaged drinking water and beverages has original expected duration of less than one year and as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

For the purpose of resources allocation and performance assessment, the chief operating decision maker (“CODM”) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 4. Therefore, the management considers that the Group only has one operating segment.

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Segment assets and liabilities

No assets and liabilities are included in the measures of the Group’s segment reporting that are used by the CODM. Accordingly, no segment assets and liabilities are presented.

Information about major customers

There was no customer who accounted for over 10% of the total revenue of the Group during the Track Record Period.

7. OTHER INCOME

| | Year ended 31 December | | |
|---|------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | RMB’000 | RMB’000 | RMB’000 |
| Interest income | | | |
| – bank deposits | 41,454 | 51,569 | 178,740 |
| – cash advance to a fellow subsidiary | 62,858 | – | – |
| – loans to related parties | 74,733 | 97,133 | 14,839 |
| Investment income from financial assets at | | | |
| FVTPL | 11,060 | 69,559 | 63,551 |
| Government grants (<i>note</i>) | 82,938 | 87,812 | 61,264 |
| Sales of recycled packaging materials | 6,618 | 9,669 | 30,556 |
| Others | 16,295 | 24,430 | 18,296 |
| | <u>295,956</u> | <u>340,172</u> | <u>367,246</u> |

Note: During the years ended 31 December 2021, 2022 and 2023, the government grants include subsidies received to reward for the contribution by the subsidiaries to the local economic growth amounting to RMB62,994,000, RMB70,802,000 and RMB43,756,000, respectively which was recognised in the consolidated statement of profit or loss upon receipt of these rewards and the related conditions associated with the rewards are met, if any. There are no unfulfilled conditions or contingencies relating to these grants.

The remaining portion of government grants related to subsidies received for the investments in production facilities in the PRC which were recognised in the statement of profit or loss over the useful lives of relevant assets as detailed in note 22.

8. OTHER GAINS AND LOSSES

| | Year ended 31 December | | |
|--|------------------------|----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | RMB’000 | RMB’000 | RMB’000 |
| Loss on disposal of property, plant and equipment, net | (6,780) | (3,365) | (13,840) |
| Net foreign exchange (loss) gain | (2,201) | 2,814 | 917 |
| Others | (1,596) | (2,636) | (1,699) |
| | <u>(10,577)</u> | <u>(3,187)</u> | <u>(14,622)</u> |

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9. FINANCE COSTS

| | Year ended 31 December | | |
|---|------------------------|----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| Interest on bank borrowings | – | – | (41,053) |
| Interest on lease liabilities | (1,782) | (1,617) | (1,463) |
| | <u>(1,782)</u> | <u>(1,617)</u> | <u>(42,516)</u> |

10. INCOME TAX EXPENSE

| | Year ended 31 December | | |
|--|------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| PRC Enterprise Income Tax (“EIT”): | | | |
| Current tax | 350,405 | 384,874 | 409,117 |
| Under provision in the prior years | 1,134 | 3,106 | 2,156 |
| | <u>351,539</u> | <u>387,980</u> | <u>411,273</u> |
| Deferred tax (<i>note 18</i>) | (4,181) | (1,276) | 135,790 |
| | <u>347,358</u> | <u>386,704</u> | <u>547,063</u> |

During the Track Record Period, no provision for Hong Kong Profits Tax has been made as the Group does not have assessable profit which arises in, or derived from, Hong Kong.

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period except that certain subsidiaries are eligible for preferential taxation of paying EIT at a rate of 20% during the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

| | Year ended 31 December | | |
|---|------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| Profit before taxation | <u>1,205,499</u> | <u>1,375,425</u> | <u>1,878,433</u> |
| Tax at the statutory income tax rate of 25% | 301,375 | 343,856 | 469,608 |
| Tax effect of income tax super deduction granted to subsidiaries for research and development costs | (4,550) | (5,946) | (5,766) |
| Tax effect of expenses not deductible for tax purpose (<i>note a</i>) | 3,674 | 1,391 | 10,082 |
| Tax effect of tax losses not recognised | 1,108 | 1,573 | 2,307 |
| Under provision in the prior years | 1,134 | 3,106 | 2,156 |
| Utilisation of tax losses previously not recognised | (1,063) | (2,118) | (2,775) |
| Withholding tax (<i>note b</i>) | 45,680 | 44,842 | 71,451 |
| Income tax expense | <u>347,358</u> | <u>386,704</u> | <u>547,063</u> |

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Notes:

- (a) During the Track Record Period, expenses not deductible mainly included [REDACTED] expense, employee commercial insurance and sponsorship expense which is not eligible for the tax deduction under the EIT Law.
- (b) Under the PRC EIT law, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards and 5% dividend withholding tax rate is applicable. The amount represents the withholding income tax provided on the undistributed profits of certain PRC subsidiaries during the Track Record Period.

11. PROFIT FOR THE YEAR

| | Year ended 31 December | | |
|---|------------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the year has been arrived at after charging: | | | |
| Cost of inventories recognition as an expense . . . | 6,277,659 | 7,265,516 | 7,394,539 |
| Auditors’ remuneration | 1,500 | 1,187 | 2,668 |
| Directors’ remuneration | 4,599 | 6,409 | 7,654 |
| Other staffs’ salaries and other benefits | 1,780,237 | 1,770,752 | 1,825,147 |
| Other staff’s retirement benefit contributions . . . | 207,461 | 222,275 | 245,144 |
| Total staff costs | <u>1,992,297</u> | <u>1,999,436</u> | <u>2,077,945</u> |
| Depreciation of property, plant and equipment . . | 248,464 | 302,698 | 440,107 |
| Depreciation of right-of-use assets | <u>23,690</u> | <u>23,045</u> | <u>23,737</u> |

12. DIVIDENDS

No dividend was paid or declared by the Company or the group entities comprising the Group during the Track Record Period.

Subsequent to 31 December 2023, in April 2024, the Company declared a dividend of RMB2.5 billion to the existing shareholders based on the consolidated retained profits as of 31 December 2023, which is conditional upon the [REDACTED] being completed and will become payable thereafter.

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13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

| | Year ended 31 December | | |
|---|------------------------|---------------|---------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| <u>Earnings</u> | | | |
| Earnings for the purpose of basic earnings per share (profit for the year attributable to equity owners of the Company) | 858,141 | 989,808 | 1,329,341 |
| <u>Number of shares</u> | | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share. | 2,000,000,000 | 2,000,000,000 | 2,000,000,000 |

The number of ordinary shares for the purpose of basic earnings per share has been determined on the assumption that the share subdivision as detailed in note 38 has been effective on 1 January 2021.

14. DIRECTORS’, CHIEF EXECUTIVE’S AND EMPLOYEES’ EMOLUMENTS

Details of the emoluments paid/payable to the individuals who were appointed as the directors and chief executive of the Company (including emoluments for the services as employees/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follow:

| | Director’s Fee | Salaries, allowance and benefits in kind | Performance related bonus | Retirement benefit | Total |
|---|----------------|--|------------------------------|-----------------------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| <u>Year ended 31 December 2021</u> | | | | | |
| Executive directors | | | | | |
| Mr. Zhang Weitong (note i) | – | 1,482 | 2,705 | 116 | 4,303 |
| Ms. Feng Jing (note v) | – | 173 | – | 23 | 196 |
| | – | 1,655 | 2,705 | 139 | 4,499 |
| Non-executive directors | | | | | |
| Mr. Ding Xiaobing (note vi) | – | – | – | – | – |
| Mr. Liu Hongji (note ii) | – | – | – | – | – |
| Mr. Jian Yi (note iii) | – | – | – | – | – |
| Mr. Chen Ying (note vii) | – | – | – | – | – |
| Mr. Lai Po Sing (note viii) | – | – | – | – | – |
| Mr. Nishimura Keisuke (note iv) | – | – | – | – | – |
| Mr. Otsuka Masamitsu (note iv) | – | 96 | – | 4 | 100 |
| | – | 96 | – | 4 | 100 |
| | – | 1,751 | 2,705 | 143 | 4,599 |
| | – | – | – | – | – |
| <u>Year ended 31 December 2022</u> | | | | | |
| Executive directors | | | | | |
| Mr. Zhang Weitong (note i) | – | 1,535 | 2,680 | 127 | 4,342 |
| Ms. Feng Jing (note v) | – | 1,373 | 309 | 146 | 1,828 |
| | – | 2,908 | 2,989 | 273 | 6,170 |
| | – | – | – | – | – |

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| | Director’s Fee | Salaries, allowance and benefits in kind | Performance related bonus | Retirement benefit | Total |
|--|----------------|--|------------------------------|-----------------------|----------------|
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Non-executive directors | | | | | |
| Mr. Ding Xiaobing (<i>note vi</i>) | 196 | – | – | – | 196 |
| Dr. Zhao Dian (<i>note ix</i>) | – | – | – | – | – |
| Mr. Chen Ying (<i>note vii</i>) | – | – | – | – | – |
| Mr. Nishimura Keisuke (<i>note iv</i>) | – | – | – | – | – |
| Mr. Otsuka Masamitsu (<i>note iv</i>) | – | 40 | – | 3 | 43 |
| Ms. Zhuang Lei (<i>note x</i>) | – | – | – | – | – |
| | <u>196</u> | <u>40</u> | <u>–</u> | <u>3</u> | <u>239</u> |
| | <u>196</u> | <u>2,948</u> | <u>2,989</u> | <u>276</u> | <u>6,409</u> |
| Year ended 31 December 2023 | | | | | |
| Executive directors | | | | | |
| Mr. Zhang Weitong (<i>note i</i>) | – | 1,566 | 2,688 | 129 | 4,383 |
| Ms. Feng Jing (<i>note v</i>) | – | 1,361 | 1,755 | 155 | 3,271 |
| | <u>–</u> | <u>2,927</u> | <u>4,443</u> | <u>284</u> | <u>7,654</u> |
| Non-executive directors | | | | | |
| Mr. Ding Xiaobing (<i>note vi</i>) | – | – | – | – | – |
| Dr. Zhao Dian (<i>note ix</i>) | – | – | – | – | – |
| Ms. Zhuang Lei (<i>note x</i>) | – | – | – | – | – |
| Ms. Cao Yue (<i>note xi</i>) | – | – | – | – | – |
| | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> | <u>–</u> |
| | <u>–</u> | <u>2,927</u> | <u>4,443</u> | <u>284</u> | <u>7,654</u> |

Notes:

- (i) Mr. Zhang Weitong acts as chief executive of the Company and a director of the Company throughout the Track Record Period and his emoluments disclosed above included those for services rendered by him as the chief executive in management of the affairs of the group entities and has been redesignated as an executive director on 22 April 2024.
- (ii) Mr. Liu Hongji was resigned on 3 February 2021.
- (iii) Mr. Jian Yi was resigned on 28 September 2021.
- (iv) Mr. Nishimura Keisuke and Mr. Otsuka Masamitsu were resigned on 5 August 2022.
- (v) Ms. Feng Jing was appointed as a director of the Company on 27 July 2022 and has been redesignated as an executive director on 22 April 2024.
- (vi) Mr. Ding Xiaobing was appointed as a director of the Company on 28 September 2021 and resigned on 21 April 2024.
- (vii) Mr. Chen Ying was appointed on 28 September 2021 and resigned on 27 July 2022.
- (viii) Mr. Lai Po Sing was appointed on 3 February 2021 and resigned on 28 September 2021.

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- (ix) Dr. Zhao Dian was appointed as a director of the Company on 5 August 2022 and has been redesignated as a non-executive director on 22 April 2024.
- (x) Ms. Zhuang Lei was appointed on 5 August 2022 and resigned on 28 April 2023.
- (xi) Ms. Cao Yue was appointed as a director of the Company on 10 August 2023 and has been redesignated as a non-executive director on 22 April 2024.
- (xii) Ms. Wu Xia was appointed as an executive director of the Company on 22 April 2024.
- (xiii) Mr. Sun Yongqiang, Mr. Lin Guolong and Mr. Xiao Ning were appointed as non-executive directors on 22 April 2024.
- (xiv) Dr. Chow Wing Kin, Mr. Li Yinquan, Dr. Yao Yang, and Ms. Cheng Po Chuen were appointed as independent non-executive directors of the Company on [●] 2024. During the years ended 31 December 2021, 2022 and 2023, the independent non-executive directors have not yet been appointed and did not receive directors' remuneration in the capacity of independent non-executive directors.

The discretionary bonus is determined based on the performance of individual and market trend during the Track Record Period.

During the years ended 31 December 2021, 2022 and 2023, the five highest paid individuals of the Group include one, one and two directors, respectively. The remunerations of the remaining individuals during the Track Record Period are set out below:

| | Year ended 31 December | | |
|--|------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Employees | | | |
| – salaries and other benefits | 3,700 | 3,681 | 3,188 |
| – performance related bonus | 7,025 | 6,687 | 4,737 |
| – contributions to retirement benefit scheme . . | 478 | 524 | 439 |
| | <u>11,203</u> | <u>10,892</u> | <u>8,364</u> |

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

| | Year ended 31 December | | |
|--|------------------------|------|------|
| | 2021 | 2022 | 2023 |
| HKD2,000,001 to HKD2,500,000 | – | – | 1 |
| HKD2,500,001 to HKD3,000,000 | 1 | 2 | – |
| HKD3,000,001 to HKD3,500,000 | 2 | 1 | 1 |
| HKD3,500,001 to HKD4,000,000 | 1 | 1 | 1 |

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During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no directors waived any emoluments during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Leasehold improvements | Construction in progress | Plant and machinery | Motor vehicles | Furniture, fixtures and office equipment | Total |
|---|------------------|-------------------------------|---------------------------------|----------------------------|-----------------------|---|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| COST | | | | | | | |
| At 1 January 2021 | 990,153 | 14,313 | 23,280 | 1,487,073 | 27,811 | 374,497 | 2,917,127 |
| Additions | 286 | 1,121 | 27,608 | 163,267 | 4,699 | 18,630 | 215,611 |
| Disposals | – | – | – | (75,178) | (3,118) | (16,614) | (94,910) |
| Transfers | 681 | 5,189 | (20,820) | 5,735 | – | 9,215 | – |
| Exchange difference | – | (13) | (11) | – | (4) | (3) | (31) |
| At 31 December 2021 | 991,120 | 20,610 | 30,057 | 1,580,897 | 29,388 | 385,725 | 3,037,797 |
| Additions | 600 | 1,659 | 402,885 | 350,665 | 7,259 | 11,926 | 774,994 |
| Acquired on acquisition of a subsidiary | 156,972 | – | – | 1,101 | – | – | 158,073 |
| Disposals | (433) | (4,118) | – | (26,665) | (1,761) | (3,800) | (36,777) |
| Transfers | 9,252 | 10,396 | (276,596) | 215,279 | 3,860 | 37,809 | – |
| Exchange difference | – | 86 | – | – | 27 | 22 | 135 |
| At 31 December 2022 | 1,157,511 | 28,633 | 156,346 | 2,121,277 | 38,773 | 431,682 | 3,934,222 |
| Additions | – | 7,830 | 2,758,966 | 393,388 | 4,453 | 8,920 | 3,173,557 |
| Acquired on acquisition of a subsidiary | – | – | 90,546 | – | – | – | 90,546 |
| Disposals | (1,412) | (354) | – | (126,267) | (3,117) | (8,942) | (140,092) |
| Transfers | 468,677 | 8,479 | (1,196,399) | 682,374 | 5,668 | 31,201 | – |
| Exchange difference | – | 15 | – | – | 9 | 5 | 29 |
| At 31 December 2023 | 1,624,776 | 44,603 | 1,809,459 | 3,070,772 | 45,786 | 462,866 | 7,058,262 |
| DEPRECIATION AND IMPAIRMENT | | | | | | | |
| At 1 January 2021 | 333,103 | 9,716 | – | 909,460 | 18,282 | 221,275 | 1,491,836 |
| Provided for the year | 41,839 | 2,741 | – | 170,237 | 4,846 | 28,801 | 248,464 |
| Eliminated on disposals | – | – | – | (67,729) | (2,928) | (14,998) | (85,655) |
| Exchange difference | – | (1) | – | – | – | – | (1) |
| At 31 December 2021 | 374,942 | 12,456 | – | 1,011,968 | 20,200 | 235,078 | 1,654,644 |
| Provided for the year | 45,189 | 5,241 | – | 219,364 | 3,191 | 29,713 | 302,698 |
| Eliminated on disposals | (161) | (3,172) | – | (22,944) | (1,583) | (3,259) | (31,119) |
| Exchange difference | – | 14 | – | – | 1 | 6 | 21 |
| At 31 December 2022 | 419,970 | 14,539 | – | 1,208,388 | 21,809 | 261,538 | 1,926,244 |
| Provided for the year | 59,450 | 8,742 | – | 332,010 | 5,162 | 34,743 | 440,107 |
| Eliminated on disposals | (308) | (249) | – | (106,821) | (2,775) | (7,649) | (117,802) |
| Exchange difference | – | 6 | – | – | 2 | 2 | 10 |
| At 31 December 2023 | 479,112 | 23,038 | – | 1,433,577 | 24,198 | 288,634 | 2,248,559 |
| CARRYING VALUES | | | | | | | |
| At 31 December 2021 | 616,178 | 8,154 | 30,057 | 568,929 | 9,188 | 150,647 | 1,383,153 |
| At 31 December 2022 | 737,541 | 14,094 | 156,346 | 912,889 | 16,964 | 170,144 | 2,007,978 |
| At 31 December 2023 | 1,145,664 | 21,565 | 1,809,459 | 1,637,195 | 21,588 | 174,232 | 4,809,703 |

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The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimated residual value at the following rates per annum:

| | |
|--|--|
| Buildings | 4.50% |
| Leasehold improvements | Over the shorter of the lease term, or 20.00% – 66.67% |
| Plant and machinery | 9.00% – 30.00% |
| Motor vehicles | 18.00% |
| Furniture, fixtures and office equipment | 18.00% – 30.00% |

The Group has not obtained property certificates of certain buildings with amount of RMB124,914,000, RMB121,196,000 and RMB305,212,000 as at 31 December 2021, 2022 and 2023.

16. RIGHT-OF-USE ASSETS

| | <u>Leasehold land</u> | <u>Leased properties</u> | <u>Machinery and vehicles</u> | <u>Total</u> |
|--|-----------------------|--------------------------|-------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| As at 31 December 2021 | | | | |
| Carrying Amount | 151,146 | 29,679 | 1,429 | 182,254 |
| As at 31 December 2022 | | | | |
| Carrying Amount | 437,459 | 25,263 | 1,077 | 463,799 |
| As at 31 December 2023 | | | | |
| Carrying Amount | 482,676 | 35,142 | 217 | 518,035 |
| For the year ended 31 December 2021 | | | | |
| Depreciation charge | 3,464 | 19,118 | 1,108 | 23,690 |
| For the year ended 31 December 2022 | | | | |
| Depreciation charge | 5,236 | 16,615 | 1,194 | 23,045 |
| For the year ended 31 December 2023 | | | | |
| Depreciation charge | <u>11,001</u> | <u>16,166</u> | <u>851</u> | <u>28,018</u> |

| | <u>Year ended 31 December</u> | | |
|---|-------------------------------|----------------|----------------|
| | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Expenses relating to short-term leases and low-value assets | <u>2,489</u> | <u>859</u> | <u>1,338</u> |
| Total cash outflow for leases | <u>21,906</u> | <u>158,502</u> | <u>80,695</u> |
| Additions to right-of-use assets | <u>22,385</u> | <u>306,295</u> | <u>82,998</u> |

The Group leases pieces of land, properties, machinery and vehicles for its operations during the Track Record Period. Lease contracts are entered into for fixed term of 12 months to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has obtained the land use right certificates for all leasehold lands as at 31 December 2021, 2022 and 2023.

The Group regularly entered into short-term leases for properties and carparks. As at 31 December 2021, 2022 and 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB32,698,000, RMB27,546,000 and RMB35,989,000 are recognised with related right-of-use assets of RMB31,108,000, RMB26,340,000 and RMB35,359,000 as at 31 December 2021, 2022 and 2023, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 25.

17. INVESTMENT IN A SUBSIDIARY

The Company

| | As at 31 December | | |
|-------------------------------|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Cost of investments | 685,718 | 685,718 | 685,718 |

18. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

| | As at 31 December | | |
|------------------------------------|-------------------|----------------|-----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Deferred tax assets | 256,894 | 310,179 | 243,463 |
| Deferred tax liabilities | (188,989) | (240,998) | (310,072) |
| | <u>67,905</u> | <u>69,181</u> | <u>(66,609)</u> |

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The following are the major deferred tax assets (liabilities) recognised and movements thereon during the Track Record Period:

| | Impairment of trade and other receivables | Withholding tax on undistributed profit of PRC subsidiaries | Deferred income | Accrual expenses | Accelerated tax deduction for capital expenditure | Others | Total |
|---|--|--|--------------------|---------------------|---|---------|-----------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2021 | 9,511 | (143,265) | 7,920 | 184,934 | – | 4,624 | 63,724 |
| (Charge) credit for the year (note 10) | (4,227) | (45,680) | 20,292 | 35,279 | – | (1,483) | 4,181 |
| At 31 December 2021 | 5,284 | (188,945) | 28,212 | 220,213 | – | 3,141 | 67,905 |
| Credit (charge) for the year (note 10) | 6,483 | (44,842) | 3,850 | 39,361 | (7,171) | 3,595 | 1,276 |
| At 31 December 2022 | 11,767 | (233,787) | 32,062 | 259,574 | (7,171) | 6,736 | 69,181 |
| Charge for the year (note 10) | (2,528) | (71,451) | (4,376) | (46,259) | (7,774) | (3,402) | (135,790) |
| At 31 December 2023 | 9,239 | (305,238) | 27,686 | 213,315 | (14,945) | 3,334 | (66,609) |

At 31 December 2021, 2022 and 2023, the Group has unused tax losses of RMB41,237,000, RMB42,297,000 and RMB45,738,000 available for offset against future profit and no deferred tax asset has been recognised in respect of all the unused tax losses. Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of each reporting period will expire in the following years and tax losses which arises in, or derived from, Hong Kong may be carried forward indefinitely:

| | As at 31 December | | |
|------------------------|-------------------|---------|---------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| 2023 | 19,013 | 10,541 | – |
| Indefinitely | 22,224 | 31,756 | 45,738 |
| | 41,237 | 42,297 | 45,738 |

19. INVENTORIES

| | As at 31 December | | |
|--|-------------------|---------|---------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| Raw material and consumables | 245,707 | 320,113 | 262,067 |
| Finished goods | 168,382 | 268,007 | 115,313 |
| | 414,089 | 588,120 | 377,380 |

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20. TRADE AND OTHER RECEIVABLES

The Group

| | As at 31 December | | |
|---|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables | | | |
| – Third parties | 241,975 | 245,538 | 254,116 |
| – fellow subsidiaries | 35,797 | 25,030 | 13,210 |
| | <u>277,772</u> | <u>270,568</u> | <u>267,326</u> |
| Less: Allowance for credit losses | (9,885) | (30,496) | (36,622) |
| | <u>267,887</u> | <u>240,072</u> | <u>230,704</u> |
| Other receivables | 22,682 | 28,863 | 97,002 |
| Less: Allowance for credit losses | (240) | (335) | (335) |
| | <u>22,442</u> | <u>28,528</u> | <u>96,667</u> |
| Note receivables | 6,894 | – | – |
| Deferred issue costs | – | – | 2,270 |
| Advances to suppliers | 40,927 | 18,145 | 36,776 |
| Value-added Tax recoverable | 167,193 | 276,856 | 316,452 |
| | <u>505,343</u> | <u>563,601</u> | <u>682,869</u> |

The Company

| | As at 31 December | | |
|--------------------------------|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Deferred issue costs | – | – | 2,270 |
| Others | 29 | 102 | – |
| | <u>29</u> | <u>102</u> | <u>2,270</u> |

As at 1 January 2021, trade receivables from contracts with customers amounted to RMB209,295,000.

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The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the dates of delivery of goods at the end of the reporting period:

| | As at 31 December | | |
|--------------------------|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| 0 – 90 days | 223,047 | 194,655 | 202,402 |
| 91 – 180 days | 34,316 | 30,533 | 26,954 |
| 181 – 365 days | 6,660 | 13,665 | 798 |
| Over 365 days | 3,864 | 1,219 | 550 |
| | <u>267,887</u> | <u>240,072</u> | <u>230,704</u> |

The note receivables are all aged within 90 days at the end of each reporting period.

The Group’s policy is to allow a credit period of 60 to 90 days to its trade customers. A longer credit period may be granted to large or long-established customers with good repayment history.

Before accepting any new customers with credit limit, the Group assesses their historical background and credibility which are available in the market. The credit limit will be determined with reference to the result of research and will be reviewed once a year.

As at 31 December 2021, 2022 and 2023, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of RMB54,035,000, RMB52,230,000 and RMB34,157,000 which are past due as at the reporting date. Out of the past due balances, RMB14,000,000, RMB14,936,000 and RMB1,586,000 have been past due 90 days or more and is not considered as in default due to the good repayment history for those customers and continuous business with the Group.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach.

| | Lifetime ECL (not credit-impaired) | Lifetime ECL (credit-impaired) | Total |
|---|------------------------------------|--------------------------------|---------------|
| | RMB'000 | RMB'000 | RMB'000 |
| Balance as at 1 January 2021 | 2,950 | 23,570 | 26,520 |
| Changes due to financial instruments recognised | | | |
| – Impairment losses recognised | 7,578 | – | 7,578 |
| – Impairment losses reversed | (7,459) | (10,507) | (17,966) |
| – Written off | – | (7,428) | (7,428) |
| New financial assets originated | <u>1,181</u> | – | <u>1,181</u> |
| Balance at 31 December 2021 | 4,250 | 5,635 | 9,885 |
| Changes due to financial instruments recognised | | | |
| – Transfer to credit-impaired | (894) | 894 | – |
| – Impairment losses recognised | 4,610 | 16,128 | 20,738 |
| – Impairment losses reversed | (378) | – | (378) |
| – Written off | – | (791) | (791) |
| New financial assets originated | <u>1,042</u> | – | <u>1,042</u> |
| Balance at 31 December 2022 | <u>8,630</u> | <u>21,866</u> | <u>30,496</u> |
| Changes due to financial instruments recognised | | | |
| – Transfer to credit-impaired | (6) | 6 | – |
| – Impairment losses recognised | 2,922 | 13,707 | 16,629 |
| – Impairment losses reversed | (8,189) | – | (8,189) |
| – Written off | (2,917) | (499) | (3,416) |
| New financial assets originated | <u>1,102</u> | – | <u>1,102</u> |
| Balance at 31 December 2023 | <u>1,542</u> | <u>35,080</u> | <u>36,622</u> |

Details of impairment assessment of trade and other receivables are set out in note 34.

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21. CASH AND CASH EQUIVALENTS AND FIXED BANK DEPOSITS

Cash and cash equivalents include demand deposits with original maturity less than three months for the purpose of meeting the Group’s short term cash commitments, which carry interest at market rates range from 0.01% to 1.90%, 0.01% to 1.90% and 0.01% to 1.80% per annum at 31 December 2021, 2022 and 2023.

Fixed bank deposits with original maturity over 3 months carry interest rate from 0.54% to 2.10%, 1.75% to 3.15% and 2.90% to 4.15% per annum at 31 December 2021, 2022 and 2023.

The Group’s bank balances that are denominated in the following currencies other than the functional currencies of the relevant group entities are set out below:

| | As at 31 December | | |
|---|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| United States Dollars (“USD”) | 529 | 618 | 720 |
| RMB | <u>17,977</u> | <u>4,985</u> | <u>85</u> |
| | <u>18,506</u> | <u>5,603</u> | <u>805</u> |

Details of impairment assessment of bank balances are set out in note 34.

22. DEFERRED INCOME

| | <i>RMB’000</i> |
|--|-----------------|
| Balance at 1 January 2021 | 31,681 |
| Addition | 101,112 |
| Recognised in profit or loss | <u>(19,944)</u> |
| Balance at 31 December 2021 | 112,849 |
| Addition | 32,410 |
| Recognised in profit or loss | <u>(17,010)</u> |
| Balance at 31 December 2022 | 128,249 |
| Recognised in profit or loss | <u>(17,508)</u> |
| Balance at 31 December 2023 | <u>110,741</u> |

Note: Government grants of RMB101,112,000, RMB32,410,000 and RMB nil have been received during each of the years ended 31 December 2021, 2022 and 2023 which are mainly related to investments in production facilities. The amounts have been treated as deferred income and is transferred to income over the useful lives of the relevant assets. Government grant income related to assets amounting to RMB19,944,000, RMB17,010,000 and RMB17,508,000 was recognised in profit or loss during each of the years ended 31 December 2021, 2022 and 2023, respectively.

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23. TRADE AND OTHER PAYABLES

The Group

| | As at 31 December | | |
|---|-------------------|------------------|------------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| Trade payables (<i>note</i>) | | | |
| – Third parties | 371,648 | 509,446 | 744,350 |
| – fellow subsidiaries | 18,048 | 53,597 | 72,564 |
| | <u>389,696</u> | <u>563,043</u> | <u>816,914</u> |
| Sales rebate and promotion expense payables . . . | 2,330,405 | 1,997,549 | 1,693,251 |
| Payroll payables | 376,307 | 440,492 | 459,233 |
| Deposit payables | 272,933 | 315,847 | 346,529 |
| Advertising payables | 224,741 | 128,453 | 154,858 |
| Transportation payables | 133,407 | 277,292 | 251,992 |
| Accrued [REDACTED] expenses | – | – | 7,496 |
| Accrued issue costs | – | – | 1,221 |
| Other payables and accruals | | | |
| – Third parties | 130,596 | 211,662 | 820,063 |
| – fellow subsidiaries | 11,148 | 94,743 | 470,508 |
| | <u>141,744</u> | <u>306,405</u> | <u>1,290,571</u> |
| | <u>3,869,233</u> | <u>4,029,081</u> | <u>5,022,065</u> |

Note: The credit period granted by suppliers to the Group ranges from 15 days to 60 days during the Track Record Period. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

| | As at 31 December | | |
|--------------------------|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| 0 – 90 days | 385,583 | 559,742 | 815,329 |
| 91 – 180 days | – | 59 | 195 |
| 181 – 365 days | 150 | 53 | 189 |
| Over 365 days | 3,963 | 3,189 | 1,201 |
| | <u>389,696</u> | <u>563,043</u> | <u>816,914</u> |

The trade payables are unsecured and non-interest bearing.

The credit terms for other payables ranged from 30 days to 90 days and aged within 1 year.

24. CONTRACT LIABILITIES

The contract liabilities represented the advance payment, received from the customers while the underlying services are yet to be provided.

| | As at 31 December | | |
|---|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | RMB'000 | RMB'000 | RMB'000 |
| Advances from customers: | | | |
| Packaged drinking water and beverages | 268,912 | 246,660 | 139,355 |
| | <u>268,912</u> | <u>246,660</u> | <u>139,355</u> |

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At 1 January 2021, contract liabilities amounted to RMB169,840,000.

The amount of contract liabilities includes the revenue to be recognised. The contract liabilities balance varies in accordance with the number of contracts outstanding at the end of reporting period. The following table shows how much of the revenue recognised during the Track Record Period relates to carried-forward contract liabilities.

| | As at 31 December | | |
|---|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue recognised that was included in the contract liability balance at the beginning of the year | 169,840 | 268,912 | 246,660 |

The Group requires a deposit on acceptance of orders from certain customers. When the Group receives a deposit before the delivery of packaged drinking water and beverages, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

Pursuant to the sales agreements, the customers are entitled to receive sales rebates from the Group based on the actual sales volume to the customers. After the delivery of goods to the customers, the Group would determine the sales rebates payable to the customers based on the actual sales volume on a monthly basis and the payable amount is included in the other payables (note 23). Subsequently, the Group would confirm with the customers the settlement method of the sales rebates (either by cash or inventory) on a regular basis. If the customers confirm with the Group to settle the sales rebates by inventory, the payables to customers would be reclassified to contract liabilities.

The Group has no revenue contract that has an original expected duration more than one year, thus management applied practical expedient under HKFRS 15 and are not disclosing the aggregate amount of the transaction price allocated to the performance obligation that are unsatisfied or partially satisfied as of the end of the reporting period.

25. LEASE LIABILITIES

| | As at 31 December | | |
|---|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Lease liabilities payable: | | | |
| Within one year | 15,909 | 17,169 | 16,178 |
| Within a period of more than one years but not more than two years | 10,344 | 8,471 | 7,347 |
| Within a period of more than two years but not more than five years | 6,445 | 1,906 | 12,464 |
| | <u>32,698</u> | <u>27,546</u> | <u>35,989</u> |
| Less: Amount due for settlement within one year shown under current liabilities | (15,909) | (17,169) | (16,178) |
| Amount due for settlement after one year shown under non-current liabilities | <u>16,789</u> | <u>10,377</u> | <u>19,811</u> |

The incremental borrowing rates applied to lease liabilities range from 2.22% to 4.35%, 2.22% to 4.35% and 2.22% to 4.35% at 31 December 2021, 2022 and 2023, respectively.

Lease obligations of the Group are denominated in RMB.

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26. SHARE CAPITAL

Details of movements of authorised and issued share capital of the Company are as follows:

| | <u>Number of shares</u> | <u>Share capital</u> |
|--|-------------------------|----------------------|
| | | <i>USD</i> |
| Ordinary shares of USD1 each | | |
| Authorised: | | |
| At 1 January 2021, 31 December 2021, 2022 and 2023 | 1,000 | 1,000 |
| | <u> </u> | <u> </u> |
| Issued and fully paid: | | |
| At 1 January 2021, 31 December 2021, 2022 and 2023 | 1,000 | 1,000 |
| | <u> </u> | <u> </u> |
| Shown in the consolidated financial statements | | |
| At 1 January 2021, 31 December 2021, 2022 and 2023 | RMB’000 equivalent | 7 |
| | | <u> </u> |

All new shares issued rank pari passu with the then existing shares in all respects.

27. RESERVES OF THE COMPANY

| | <u>Share capital</u> | <u>Capital reserve</u> | <u>Retained profits</u> | <u>Total</u> |
|---|----------------------|------------------------|-------------------------|-------------------|
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| At 1 January 2021 | 7 | 500,000 | 205,414 | 705,421 |
| Loss and total comprehensive expense | – | – | (561) | (561) |
| At 31 December 2021 | 7 | 500,000 | 204,853 | 704,860 |
| Profit and total comprehensive income | – | – | 1,823 | 1,823 |
| At 31 December 2022 | 7 | 500,000 | 206,676 | 706,683 |
| Loss and total comprehensive expense | – | – | (13,882) | (13,882) |
| At 31 December 2023 | 7 | 500,000 | 192,794 | 692,801 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

28. RELATED PARTY DISCLOSURES

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

The Group

| Relationships | Nature of transactions/balances | <u>As at/For the year ended 31 December</u> | | |
|-------------------------------|--|---|----------------|----------------|
| | | <u>2021</u> | <u>2022</u> | <u>2023</u> |
| | | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| Fellow subsidiaries | Sales of goods (<i>note a</i>) | 86,192 | 81,894 | 62,160 |
| | Amounts due from fellow subsidiaries | 4,267,481 | 3,561,621 | 13,210 |
| | – trade nature (included in trade and other receivables) | 35,797 | 25,030 | 13,210 |
| | – non-trade nature (<i>note b</i>) | 4,231,684 | 3,536,591 | – |

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| Relationships | Nature of transactions/balances | As at/For the year ended 31 December | | |
|--|---|--------------------------------------|-----------|-----------|
| | | 2021 | 2022 | 2023 |
| | | RMB'000 | RMB'000 | RMB'000 |
| | Fixed bank deposits placed in a fellow subsidiary | 200,000 | 281,582 | 786,329 |
| | Cash and cash equivalents advanced to a fellow subsidiary | 303,781 | 1,505,747 | 1,000,331 |
| | Purchase of raw materials and other consumables (note a) | 557,787 | 840,294 | 940,209 |
| | Purchase of construction and other services (note a) | 45,712 | 211,210 | 1,120,678 |
| | Amounts due to fellow subsidiaries | | | |
| | – trade nature (included in trade and other payables) (note a) | 29,196 | 148,340 | 543,072 |
| | Interest income | 141,090 | 103,481 | 34,187 |
| | – cash advance to a fellow subsidiary | 62,858 | – | – |
| | – bank deposits and cash and cash equivalents placed in a fellow subsidiary | 3,499 | 6,348 | 19,348 |
| | – loans due from fellow subsidiaries | 74,733 | 97,133 | 14,839 |
| Immediate holding company | Amount due from immediate holding company (note c) | 19,928 | 21,875 | 22,192 |
| | Amount due to immediate holding company (note c) | 1,742 | 1,903 | 1,931 |
| Intermediate holding company | Amount due from intermediate holding company (note c) | 736 | 741 | 742 |
| | Amount due to intermediate holding company (note c) | 1,075 | 1,259 | 1,158 |

Notes:

- (a) The prices of these transactions were determined between the parties with reference to the agreements signed.
- (b) As at 31 December 2021 and 2022, the non-trade amounts due from fellow subsidiaries mainly include certain loans receivable from fellow subsidiaries of RMB3,931,427,000, RMB3,536,591,000 which are unsecured and bearing interest at fixed interest rate of 3.50% to 3.85% and 3.10% to 3.60% per annum as at 31 December 2021 and 2022, respectively, and have fixed repayment terms of less than one year. The amounts of RMB300,257,000 included represent capital advance to a fellow subsidiary, unsecured and bearing floating interest as at 31 December 2021. The entire balance of non-trade amounts due from fellow subsidiaries have been settled as at 31 December 2023.
- (c) The amounts are with non-trade nature, unsecured, interest-free and repayable on demand.
- (d) The Group itself is a part of a larger group of companies under China Resources Company Limited (“CRC”) which is controlled by the Chinese State government. Apart from the transactions with CRC group, the Group also conducts businesses with other state controlled entities. The directors are of the opinion that those entities other than the CRC group do not have the power to govern or participate in the financial and operating policies of the Group. The transactions including sales and purchases of

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goods and services and bank deposits and corresponding interest income, with these entities are conducted in the ordinary course of the Group’s business. The Group believes that it has provided, at the best of its knowledge, adequate and appropriate disclosure of related party transactions as summarised above.

The Company

| Relationships | Nature of balances/transactions | As at/For the year ended 31 December | | |
|--|--|--------------------------------------|---------|---------|
| | | 2021 | 2022 | 2023 |
| | | RMB’000 | RMB’000 | RMB’000 |
| Immediate holding company | Amount due from immediate holding company (<i>note</i>) | 19,892 | 21,825 | 22,142 |
| A subsidiary | Amount due to a subsidiary (<i>note</i>) | 7,477 | 8,232 | 25,231 |
| Intermediate holding company | Amount due to intermediate holding company (<i>note</i>) | 922 | 1,100 | 986 |

Note: The amounts are with non-trade nature, unsecured, interest-free and repayable on demand.

29. RETIREMENT BENEFITS SCHEMES

The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Scheme (the “MPF Scheme”) for employees who are eligible to participate in the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group, in fund under the control of trustees. The Group contributes certain percent of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees of the Company’s subsidiaries established in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specific contributions.

The total expense recognised in profit or loss of RMB207,604,000, RMB222,551,000 and RMB245,428,000 represents contributions payable to these schemes by the Group during each of the year ended 31 December 2021, 2022 and 2023.

30. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2022

Acquisition of assets and liabilities through an acquisition of a subsidiary

During the year ended 31 December 2022, the Group acquired 70% interest in 華潤怡寶飲料(宜興)有限公司 (“怡寶宜興”) through capital injection of RMB753,900,000 to the subsidiary. The above transaction is accounted for as acquisition of assets and liabilities through acquisition of subsidiaries because 怡寶宜興 mainly holds several industrial buildings, the underlying leasehold land without significant processes applied to the properties. Upon completion of the acquisitions, 怡寶宜興 became a subsidiary of the Company. The principal activities of acquired subsidiaries will be engaged in the manufacturing and distribution of packaged drinking water in the future.

Details of the assets acquired and liabilities assumed are as below:

| | 2022 |
|---|---------|
| | RMB’000 |
| Property, plant and equipment | 158,073 |
| Right-of-use assets | 155,092 |
| Deferred tax asset | 269 |

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| | 2022 |
|--|------------------|
| | <i>RMB’000</i> |
| Other receivables | 9,762 |
| Bank balances and cash | 35 |
| Other payables | (131) |
| | <u>323,100</u> |
| Capital injection by the Group | <u>753,900</u> |
| | <u>1,077,000</u> |
| Consideration transferred, satisfied by: | |
| Capital injection by the Group to the subsidiary | 753,900 |
| Net assets attributable to non-controlling interests | 323,100 |
| | <u>1,077,000</u> |
| Net cash inflows arising on acquisition of 怡寶宜興 | |
| Bank balances and cash acquired. | <u>35</u> |

For the year ended 31 December 2023

Acquisition of assets and liabilities through an acquisition of a subsidiary

During the year ended 31 December 2023, the Group acquired 79% interest in 河源市碧優選飲用水有限公司 (“碧優選”) through capital injection of RMB313,719,000 to the subsidiary. The above transaction is accounted for as acquisition of assets and liabilities through acquisition of subsidiaries because 碧優選 mainly holds several industrial buildings, the underlying leasehold land and certain equipment without significant processes applied to the properties. Upon completion of the acquisitions, 碧優選 became a subsidiary of the Company. The principal activities of acquired subsidiaries will be engaged in the manufacturing and distribution of packaged drinking water in the future.

Details of the assets acquired and liabilities assumed are as below:

| | 2023 |
|---|----------------|
| | <i>RMB’000</i> |
| Property, plant and equipment | 90,546 |
| Right-of-use assets | 20,101 |
| Deposits for acquisition of property, plant and equipment | 34,319 |
| Other payables | (60,983) |
| | <u>83,983</u> |
| Capital injection by the Group | <u>313,719</u> |
| | <u>397,702</u> |
| Consideration transferred, satisfied by: | |
| Capital injection by the Group to the subsidiary | 313,719 |
| Net assets attributable to non-controlling interests | 83,983 |
| | <u>397,702</u> |
| Net cash inflows arising on acquisition of | |
| 碧優選 Bank balances and cash acquired | <u>–</u> |

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flow will be, classified in the Group’s consolidated financial statements of cash flows from financing activities.

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| | Bank borrowings | Amount due to immediate holding company | Amount due to intermediate holding company | Lease liabilities | Accrued issue cost | Total |
|-------------------------------------|--------------------|--|--|----------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| As at 1 January 2021 | – | 1,793 | 1,104 | 28,923 | – | 31,820 |
| Financing cash flows | – | – | (50) | (19,417) | – | (19,467) |
| New leases entered | – | – | – | 21,410 | – | 21,410 |
| Interest expenses | – | – | – | 1,782 | – | 1,782 |
| Exchange difference | – | (51) | (25) | – | – | (76) |
| Other non-cash changes | – | – | 46 | – | – | 46 |
| As at 31 December 2021 | <u>–</u> | <u>1,742</u> | <u>1,075</u> | <u>32,698</u> | <u>–</u> | <u>35,515</u> |
| Financing cash flows | – | – | (16) | (21,185) | – | (21,201) |
| New leases entered | – | – | – | 14,416 | – | 14,416 |
| Interest expenses | – | – | – | 1,617 | – | 1,617 |
| Exchange difference | – | 161 | 94 | – | – | 255 |
| Other non-cash changes | – | – | 106 | – | – | 106 |
| As at 31 December 2022 | <u>–</u> | <u>1,903</u> | <u>1,259</u> | <u>27,546</u> | <u>–</u> | <u>30,708</u> |
| Financing cash flows | (41,053) | – | (6) | (18,490) | (1,049) | (60,598) |
| New leases entered | – | – | – | 25,470 | – | 25,470 |
| Interest expenses | 41,053 | – | – | 1,463 | – | 42,516 |
| Exchange difference | – | 28 | 65 | – | – | 93 |
| Share issue costs accrued | – | – | – | – | 2,270 | 2,270 |
| Other non-cash changes | – | – | (160) | – | – | (160) |
| As at 31 December 2023 | <u>–</u> | <u>1,931</u> | <u>1,158</u> | <u>35,989</u> | <u>1,221</u> | <u>40,299</u> |

32. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2021, 2022 and 2023, the Group entered into certain new lease agreements for the use of office premises. On the date of commencement of leases, the Group recognised RMB21,410,000 right-of-use assets and RMB21,410,000 lease liabilities, RMB14,416,000 right-of-use assets and RMB14,416,000 lease liabilities and RMB25,470,000 right-of-use assets and RMB25,470,000 lease liabilities, respectively.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group’s overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debts, which includes, where appropriate, amount due to immediate holding company, intermediate holding company, fellow subsidiaries, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, retained profits and other reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues as well as the issue of the new debt or the redemption of existing debt.

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34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

| | As at 31 December | | |
|---|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Financial assets | | | |
| Financial assets at amortised cost | 6,439,938 | 6,627,740 | 6,299,449 |
| Financial liabilities | | | |
| Financial liabilities at amortised cost | 3,872,050 | 4,032,243 | 5,025,154 |

The Company

| | As at 31 December | | |
|---|-------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Financial assets | | | |
| Financial assets at amortised cost | 27,541 | 30,297 | 33,300 |
| Financial liabilities | | | |
| Financial liabilities at amortised cost | 8,399 | 9,332 | 26,217 |

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include bank balances and cash, trade and other receivables, amount due from immediate holding company, amount due from intermediate holding company, amounts due from fellow subsidiaries, trade and other payables, amount due to immediate holding company and amount due to intermediate holding company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose primarily to the market risks of changes in interest rates and currency rates.

There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

The Group collects most of its revenue and incurs most of the expenditures in RMB. The subsidiaries of the Group are operating in the Mainland China and Hong Kong, and have their local currencies as their functional currencies, RMB and HKD respectively.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposures and will consider hedging significant foreign currency exposure should the need arise.

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The carrying amounts of the Group’s foreign currency denominated monetary assets (mainly including bank balances and cash and trade receivables) and monetary liabilities (mainly including other payables) at the reporting date are as follows:

| | As at 31 December | | |
|----------------------|-------------------|-------------------|-------------------|
| | 2021 | 2022 | 2023 |
| | RMB’000 | RMB’000 | RMB’000 |
| <u>Assets</u> | | | |
| RMB | 17,977 | 4,985 | 85 |
| USD | 529 | 618 | 720 |
| | <u> </u> | <u> </u> | <u> </u> |
| <u>Liabilities</u> | | | |
| RMB (note) | 49,272 | 49,189 | 65,721 |
| USD | 961 | 1,139 | 986 |
| | <u> </u> | <u> </u> | <u> </u> |

Note: Included in liabilities dominated in RMB as foreign currency, amounts payable of RMB49,272,000, RMB49,189,000 and RMB65,721,000 as at 31 December 2021, 2022 and 2023 is intra-group balances which group entities with functional currency as HK\$ due to a subsidiary in PRC mainland which also expose the Group to foreign currency risk.

Sensitivity analysis

The following table details the Group’s sensitivity to a reasonably possible change of 5% in exchange rate of the relevant foreign currencies against the functional currency of respective group entities, while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

| | Year ended 31 December | | |
|---|------------------------|----------------|----------------|
| | 2021 | 2022 | 2023 |
| | RMB’000 | RMB’000 | RMB’000 |
| (Decrease) increase in post-tax profit for the year | | | |
| – if RMB weakens against USD | (25) | (30) | (19) |
| – if RMB strengthens against USD | 25 | 30 | 19 |
| – if RMB weakens against HKD | 1,307 | 1,846 | 2,879 |
| – if RMB strengthens against HKD | <u>(1,307)</u> | <u>(1,846)</u> | <u>(2,879)</u> |

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during each of the year ended 31 December 2021, 2022 and 2023.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed bank deposits (see note 21), fixed-rate loans receivable from fellow subsidiaries (see note 28) and lease liabilities (see note 25 for details). The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances, which incurred at prevailing market interest rates and variable rate based on the interest rates quoted by the People’s Bank of China.

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Interest rate sensitivity

The sensitivity analyses below have been prepared based on the exposure to interest rates for non-derivative instruments (bank balances). The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease for bank balances are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the possible change in interest rate in respect of bank deposits.

At the end of the reporting period, if interest rates had been increased/decreased by 100 basis point in respect of bank deposits and all other variables were held constant, the Group's post-tax profit would increase/decrease by approximately RMB12,621,000, RMB18,807,000 and RMB16,017,000 for each of the year ended 31 December 2021, 2022 and 2023, respectively.

Credit risk and impairment assessment

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated the responsible personnel for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group may require a deposit to be received from most of the customers before acceptance of orders. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

In addition, the Group performs impairment assessment under ECL model on trade receivables which are credit-impaired individually. The remaining trade receivables are grouped and assessed on collective basis based on customers' aging of outstanding balances. (Gains on reversal of impairment)/impairment losses of RMB(9,207,000), RMB21,402,000 and RMB9,542,000 are recognised in profit or loss for each of the year ended 31 December 2021, 2022 and 2023, respectively. Details of the quantitative disclosures are set out below in this note.

Other receivables, note receivables, amount due from immediate holding company, amount due from intermediate holding company, amounts due from fellow subsidiaries and bank balances

The credit risk of other receivables, note receivables, amount due from immediate holding company, amount due from intermediate holding company and amounts due from fellow subsidiaries are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies or state-owned banks in the PRC. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

For other receivables, amount due from immediate holding company, amount due from intermediate holding company and amounts due from fellow subsidiaries, the directors of the Company consider the counterparties with good credit worthiness based on their past repayment history and subsequent settlement. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

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The Group's internal credit risk grading assessment comprises the following categories:

| Internal credit rating | Description |
|------------------------|--|
| Low risk | The counterparty has a low risk of default and does not have any past-due amounts. |
| Watch list | Debtor frequently repays after due dates but usually settle in full. |
| Doubtful | There have been significant increases in credit risk since initial recognition through information developed internally or external resources. |
| Loss | There is evidence indicating the asset is credit-impaired. |
| Write-off | There is evidence indicating the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery. |

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

| | External credit rating | Internal credit rating | 12 m or life-time ECL | Gross carrying amount | | |
|---|------------------------|------------------------|-------------------------------------|-----------------------|------------|------------|
| | | | | 31/12/2021 | 31/12/2022 | 31/12/2023 |
| | | | | RMB'000 | RMB'000 | RMB'000 |
| Trade receivables | | | | | | |
| – third parties | N/A | (i) | Life-time ECL (not credit-impaired) | 236,340 | 212,233 | 219,036 |
| | | Loss | Credit-impaired | 5,635 | 33,305 | 35,080 |
| – fellow subsidiaries | N/A | Low risk | Life-time ECL (collective basis) | 35,797 | 25,030 | 13,210 |
| | | | | 277,772 | 270,568 | 267,326 |
| Other receivables, note receivables, amounts due from immediate holding company, intermediate holding company and fellow subsidiaries | N/A | (ii) | 12m ECL | 4,281,924 | 3,588,070 | 119,936 |
| Bank balances | AAA | Low risk | 12m ECL | 1,890,367 | 2,799,933 | 5,949,144 |

Notes:

- (i) For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors credit-impaired, the Group determines the ECL on these items on a collective basis, grouped by internal credit rating.

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers. Set out below is the information about the credit risk exposure on the Group's trade receivables using a collective basis:

| | Less than 1 year | 1 – 2 years | 2 – 3 years | Over 3 years | Total |
|---------------------------------------|------------------|-------------|-------------|--------------|---------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| As at 31 December 2021 | | | | | |
| Average loss rate | 0.45% | 29.83% | 49.38% | 100.00% | 1.56% |
| Total gross carrying amount | 265,204 | 1,827 | 5,101 | 5 | 272,137 |
| Lifetime ECL | (1,181) | (545) | (2,519) | (5) | (4,250) |
| | 264,023 | 1,282 | 2,582 | – | 267,887 |

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| | Less than 1 year | 1 – 2 years | 2 – 3 years | Over 3 years | Total |
|---------------------------------------|---------------------|----------------|----------------|----------------|----------------|
| | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> | <i>RMB’000</i> |
| As at 31 December 2022 | | | | | |
| Average loss rate | 1.49% | 29.60% | 50.15% | 92.66% | 3.64% |
| Total gross carrying amount | 230,861 | 963 | 333 | 5,106 | 237,263 |
| Lifetime ECL | <u>(3,447)</u> | <u>(285)</u> | <u>(167)</u> | <u>(4,731)</u> | <u>(8,630)</u> |
| | <u>227,414</u> | <u>678</u> | <u>166</u> | <u>375</u> | <u>228,633</u> |
| As at 31 December 2023 | | | | | |
| Average loss rate | 0.47% | 3.33% | 35.96% | 55.73% | 0.66% |
| Total gross carrying amount | 231,232 | 150 | 114 | 750 | 232,246 |
| Lifetime ECL | <u>(1,078)</u> | <u>(5)</u> | <u>(41)</u> | <u>(418)</u> | <u>(1,542)</u> |
| | <u>230,154</u> | <u>145</u> | <u>73</u> | <u>332</u> | <u>230,704</u> |

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

As at 31 December 2021, 2022 and 2023, the Group provided RMB4,250,000, RMB8,630,000 and RMB1,542,000 impairment allowance for trade receivables which is not credit-impaired respectively. Impairment allowance of RMB5,635,000, RMB21,866,000 and RMB35,080,000 were made on credit-impaired debtors respectively.

- (ii) For the purposes of internal credit risk management, the Group uses debtors’ aging information to assess whether credit risk has increased significantly since initial recognition. The balances of amounts due from immediate holding company, intermediate holding company and fellow subsidiaries as at 31 December 2021, 2022 and 2023 are all with aging less than one year. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group’s contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

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Liquidity table

| | Weighted average interest rate | On demand or less than 6 months | 6 months to 1 year | 1-5 years | Total undiscounted cash flows | Carrying amounts |
|--|--------------------------------|---------------------------------|--------------------|---------------|-------------------------------|------------------|
| | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| <u>At 31 December 2021</u> | | | | | | |
| Trade payables | N/A | 389,696 | – | – | 389,696 | 389,696 |
| Other payables and accruals | N/A | 3,479,537 | – | – | 3,479,537 | 3,479,537 |
| Amount due to immediate holding company | N/A | 1,742 | – | – | 1,742 | 1,742 |
| Amount due to intermediate holding company | N/A | 1,075 | – | – | 1,075 | 1,075 |
| Lease liabilities | 2.22 to 4.35 | 8,666 | 8,493 | 18,309 | 35,468 | 32,698 |
| | | <u>3,880,716</u> | <u>8,493</u> | <u>18,309</u> | <u>3,907,518</u> | <u>3,904,748</u> |

| | Weighted average interest rate | On demand or less than 6 months | 6 months to 1 year | 1-5 years | Total undiscounted cash flows | Carrying amounts |
|--|--------------------------------|---------------------------------|--------------------|---------------|-------------------------------|------------------|
| | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| <u>At 31 December 2022</u> | | | | | | |
| Trade payables | N/A | 563,043 | – | – | 563,043 | 563,043 |
| Other payables and accruals | N/A | 3,466,038 | – | – | 3,466,038 | 3,466,038 |
| Amount due to immediate holding company | N/A | 1,903 | – | – | 1,903 | 1,903 |
| Amount due to intermediate holding company | N/A | 1,259 | – | – | 1,259 | 1,259 |
| Lease liabilities | 2.22 to 4.35 | 9,183 | 8,997 | 11,077 | 29,257 | 27,546 |
| | | <u>4,041,426</u> | <u>8,997</u> | <u>11,077</u> | <u>4,061,500</u> | <u>4,059,789</u> |

| | Weighted average interest rate | On demand or less than 6 months | 6 months to 1 year | 1-5 years | Total undiscounted cash flows | Carrying amounts |
|--|--------------------------------|---------------------------------|--------------------|---------------|-------------------------------|------------------|
| | % | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| <u>At 31 December 2023</u> | | | | | | |
| Trade payables | N/A | 816,914 | – | – | 816,914 | 816,914 |
| Other payables and accruals | N/A | 4,205,151 | – | – | 4,205,151 | 4,205,151 |
| Amount due to immediate holding company | N/A | 1,931 | – | – | 1,931 | 1,931 |
| Amount due to intermediate holding company | N/A | 1,158 | – | – | 1,158 | 1,158 |
| Lease liabilities | 2.22 to 4.35 | 8,872 | 8,696 | 22,300 | 39,868 | 35,989 |
| | | <u>5,034,026</u> | <u>8,696</u> | <u>22,300</u> | <u>5,065,022</u> | <u>5,061,143</u> |

35. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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ACCOUNTANTS’ REPORT

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

At the date of this report, the Company has direct and indirect interest in the following subsidiaries:

| Name of companies | Place and date of incorporation/ establishment | Issued and fully paid share capital/registered capital | Equity interest attributable to the Group | | | Legal form | Principal activities | Notes |
|--|--|---|---|------|-------------------------------|---------------------------------|--|-------|
| | | | As at 31 December | | As at the date of this report | | | |
| | | | 2021 | 2022 | | | | |
| Directly held: | | | | | | | | |
| 華潤怡寶飲料(控股)有限公司 China Resources C’estbon Beverage (Holdings) Company Limited | Hong Kong 23 November 2009 | Authorised HK\$771,484,000 Paid up capital HK\$771,484,000 | 100% | 100% | 100% | Limited liability company | Investment holding | (a) |
| Interests held indirectly: | | | | | | | | |
| 華潤怡寶飲料(中國)投資有限公司 China Resources C’estbon Beverage (China) Investment Co., Ltd. | Mainland China 26 August 2011 | Authorised US\$83,290,000 Paid up capital US\$83,290,000 | 100% | 100% | 100% | Limited liability company | Investment holding | (b) |
| 華潤食品飲料(深圳)有限公司 China Resources Food & Beverage (Shenzhen) Co., Ltd. | Mainland China 8 April 1998 | Authorised US\$19,000,000 Paid up capital US\$19,000,000 | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water | (b) |
| 華潤怡寶飲料(中國)有限公司 China Resources C’estbon Beverage (China) Co., Ltd. | Mainland China 1 August 1996 | Registered RMB650,000,000 Paid up capital RMB650,000,000 | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water and beverage | (b) |
| 珠海市永隆加林山礦泉水有限公司 Zhuhai City Yonglong Jialinshan Mineral Water Co., Ltd. | Mainland China 27 June 1984 | Registered RMB14,000,000 Paid up capital RMB14,000,000 | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water and mineral water | (b) |
| 珠海市永隆飲品有限公司 Zhuhai Yonglong Beverage Co., Ltd. | Mainland China 21 October 1992 | Registered RMB12,000,000 Paid up capital RMB12,000,000 | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water and mineral water | (b) |

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| Name of companies | Place and date of incorporation/ establishment | Issued and fully paid share capital/registered capital | Equity interest attributable to the Group | | | | Legal form | Principal activities | Notes |
|--|--|---|---|------|-------------------------------|------|---------------------------|---|---------|
| | | | As at 31 December | | As at the date of this report | | | | |
| | | | 2021 | 2022 | 2023 | 2023 | | | |
| 上海怡實食品有限公司 Shanghai C’estbon Food Co., Ltd. | Mainland China 20 September 2007 | Registered US\$38,045,000 Paid up capital US\$38,045,000 | 100% | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water and beverage | (b) |
| 華潤怡實飲料(長沙)有限公司 China Resources C’estbon Beverage (Changsha) Co., Ltd | Mainland China 17 October 2012 | Registered US\$20,000,000 Paid up capital US\$20,000,000 | 100% | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water | (b) |
| 華潤怡實飲料(六安)有限公司 China Resources C’estbon Beverage (Lu’an) Co., Ltd. | Mainland China 12 March 2013 | Registered RMB161,880,000 Paid up capital RMB161,880,000 | 100% | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water | (b) |
| 華潤怡實飲料(肇慶)有限公司 China Resources C’estbon Beverage (Zhaqing) Co., Ltd | Mainland China 16 May 2013 | Registered RMB199,190,000 Paid up capital RMB199,190,000 | 100% | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water and beverage | (b) |
| 華潤怡實飲料(成都)有限公司 China Resources C’estbon Beverage (Chengdu) Co., Ltd | Mainland China 1 September 2014 | Registered RMB166,670,000 Paid up capital RMB166,670,000 | 100% | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water | (b) |
| 華潤怡實飲料(南寧)有限公司 China Resources C’estbon Beverage (Nanning) Co., Ltd | Mainland China 14 August 2014 | Registered RMB212,000,000 Paid up capital RMB212,000,000 | 100% | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water | (b) |
| 華潤怡實飲料(武夷山)有限公司 China Resources C’estbon Beverage (Wuyishan) Co., Ltd | Mainland China 20 June 2022 | Registered RMB124,820,000 Paid up capital RMB124,820,000 | – | 100% | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water | (b)/(c) |

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| Name of companies | Place and date of incorporation/ establishment | Issued and fully paid share capital/registered capital | Equity interest attributable to the Group | | | Legal form | Principal activities | Notes |
|--|--|---|---|------|-------------------------------|---------------------------|--|---------|
| | | | As at 31 December | | As at the date of this report | | | |
| | | | 2021 | 2022 | | | | |
| 華潤怡寶(河源)萬綠湖飲料有限公司 China Resources C'estbon (Heyuan) Wanlvhu Beverage Co., Ltd | Mainland China 16 June 2022 | Registered RMB356,670,000 Paid up capital RMB356,670,000 | – | 100% | 100% | Limited liability company | Manufacturing and distribution of purified water | (b)/(c) |
| 怡寶宜興 China Resources C'estbon Beverage (Yixing) Co., Ltd | Mainland China 10 February 2022 | Registered RMB450,000,000 Paid up capital RMB450,000,000 | – | 70% | 70% | Limited liability company | Manufacturing and distribution of purified water | (b)/(d) |
| 碧優選 Heyuan Biyouxuan Drinking Water Co., Ltd | Mainland China 4 November 2020 | Registered RMB132,363,000 Paid up capital RMB132,363,000 | – | – | 79% | Limited liability company | Manufacturing and distribution of purified water | (b)/(d) |
| 華潤怡寶飲料(溫州)有限公司 China Resources C'estbon Beverage (Wenzhou) Co., Ltd | Mainland China 16 October 2023 | Registered RMB200,550,000 Paid up capital RMB200,550,000 | – | – | – | Limited liability company | Manufacturing and distribution of purified water | (b)/(e) |
| 武漢華新達飲品技術有限公司 Wuhan HuaXinDa Beverage Technology Co., Ltd | Mainland China 27 June 2017 | Registered RMB110,000,000 Paid up capital RMB110,000,000 | – | – | 70% | Limited liability company | Manufacturing and distribution of purified water | (f) |

Notes:

- (a) The statutory financial statements of these subsidiaries for the years ended 31 December 2021, 2022 and 2023 were prepared in accordance with HKFRSs and audited by Deloitte Touche Tohmatsu, Certified Public Accountants.
- (b) The statutory financial statements of these subsidiaries for the years ended 31 December 2021, 2022 and 2023 or for the period ended since incorporation/acquisition date were prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the PRC and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.
- (c) The companies were established in June 2022.
- (d) The companies were acquired during the Track Record Period. Details are set out in note 30.
- (e) The company was established in October 2023.
- (f) The company was acquired in January 2024 as detailed in Note 38.

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ACCOUNTANTS’ REPORT

| | The period from the acquisition date to 31 December 2022 | Year ended 31 December 2023 |
|---|--|--------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net cash (outflow) inflow from operating activities | (1,713) | 39,360 |
| Net cash outflow from investing activities | (63,883) | (659,894) |
| Net cash inflow (outflow) from financing activities | 750,596 | (64,466) |
| Net cash inflow (outflow) | <u>685,000</u> | <u>(685,000)</u> |

37. CAPITAL AND OTHER COMMITMENTS

| | Year ended 31 December | | |
|--|------------------------|------------------|----------------|
| | 2021 | 2022 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information | <u>149,465</u> | <u>1,279,132</u> | <u>817,730</u> |

38. EVENTS AFTER THE REPORTING PERIOD

The Group proposed to enter into a share purchase agreement to acquire 70% of equity interest in 武漢華新達飲品技術有限公司 which is engaged in the manufacturing and distribution of packaged drinking water. The acquisition was completed in January 2024 and was accounted for as acquisition of business using the acquisition method. The directors of the Company consider the financial impact of the acquisition is immaterial to the Group.

On 21 April 2024, the shareholders of the Company resolved, among other things, that each issued and unissued ordinary share then of US\$1 par value be subdivided into 2,000,000,000 shares of US\$0.0000005 par value each (“Share Subdivision”). After the Share Subdivision, and immediately before the completion of the [REDACTED], the authorized share capital of the Company shall be US\$50,000 divided into 100,000,000,000 ordinary shares of par value of US\$0.0000005 each, of which 2,000,000,000 are issued and fully paid-up.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the Companies comprising the Group in respect of any period subsequent to 31 December 2023.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

The following information set out in this Appendix does not form part of the accountants’ report on the historical financial information of the Group for the three years ended 31 December 2023 (the “Accountants’ Report”) prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I, to this document, and is included herein for illustrative purposes only.

The unaudited [REDACTED] financial information should be read in conjunction with the section headed “Financial Information” in this document and the Accountants’ Report as set forth in Appendix I to this document.

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited [REDACTED] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared by the directors of the Company in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of [REDACTED] (as defined in this document) on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2023 as if the [REDACTED] had taken place on 31 December 2023.

This unaudited [REDACTED] statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the audited consolidated net tangible assets of the Group attributable to the owners of the Company had the [REDACTED] been completed as at 31 December 2023 or at any future dates.

The following unaudited [REDACTED] statement of adjusted audited consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 as shown in the Accountants’ Report as set out in Appendix I to this document, and adjusted as follows:

| | Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 | Estimated net [REDACTED] from the [REDACTED] | Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 | Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 per Share | |
|--|--|--|--|--|------------------|
| | RMB’000 (Note 1) | RMB’000 (Note 2) | RMB’000 | RMB (Note 3) | HK\$ (Note 4) |
| Based on [REDACTED] of HK\$[REDACTED] per [REDACTED] | 6,903,058 | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Based on [REDACTED] of HK\$[REDACTED] per [REDACTED] | 6,903,058 | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 is based on the audited consolidated net assets of the Group attributable to owners of the Company as of 31 December 2023 of RMB6,903,058,000 as extracted from the Accountants’ Report of the Group set out in Appendix I to this document.
2. The estimated net [REDACTED] from the [REDACTED] are based on [REDACTED] new shares at indicative [REDACTED] of HK\$[REDACTED] per [REDACTED] and HK\$[REDACTED] per [REDACTED], respectively, being the low-end and high-end of the indicative [REDACTED] range, respectively, after deduction of the estimated [REDACTED] and other [REDACTED] related expenses to be incurred by the Group (excluding [REDACTED] expenses charged to profit or loss prior to 31 December 2023). It does not take into account of any shares which may be issued pursuant to the exercise of the [REDACTED] as described in the section headed “Share Capital” in this document, or any shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. The estimated net [REDACTED] from the [REDACTED] are converted from Hong Kong Dollars to Renminbi based on the exchange rate as detailed in note 4 below.
3. The unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is arrived at on the basis that a total of [REDACTED] shares were in issue assuming that the Share Subdivision and [REDACTED] had been completed on 31 December 2023. It does not take into account of any shares which may be issued pursuant to the exercise of the [REDACTED] as described in the section headed “Share Capital” in this document, or any shares which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. The amounts of unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share are converted from Hong Kong Dollars to Renminbi based on the exchange rate as detailed in note 4 below.
4. These amounts are converted from Renminbi to Hong Kong dollars or Hong Kong dollars to Renminbi at an exchange rate of RMB1.00 to HK\$1.10403 (being the middle exchange rate set by the People’s Bank of China prevailing on 15 April 2024). No representation is made that Renminbi/Hong Kong dollars amount have been, could have been or may be converted to Hong Kong dollars/Renminbi at that rate or at all.
5. The unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account the effect of any [REDACTED] results or other transaction of the Group entered into subsequent to 31 December 2023. In particular, the unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as shown on II-1 have not been adjusted to illustrate the effect of the following:

Subsequent to 31 December 2023, in April 2024, the Company declared a dividend of RMB2.5 billion to the existing shareholders based on the consolidated retained profits as of 31 December 2023, which is conditional upon the [REDACTED] being completed (the “Dividend Declaration”) and will become payable thereafter. Had the Dividend Declaration been completed on 31 December 2023, the unaudited [REDACTED] adjusted consolidated net tangible assets of the Group would decrease from [REDACTED] to [REDACTED] based on [REDACTED] of HK\$[REDACTED] per Share, or from [REDACTED] to [REDACTED] based on [REDACTED] of HK\$[REDACTED] per Share. Had the [REDACTED] and the Dividend Declaration been taken into account, the unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2023 per Share would be [RMB[REDACTED]] (equivalent to [HK\$[REDACTED]]) based on an [REDACTED] of HK\$[REDACTED] per Share and [RMB[REDACTED]] (equivalent to [HK\$[REDACTED]]) based on an [REDACTED] of HK\$[REDACTED] per Share, respectively, on the basis that a total of [REDACTED] shares were in issue assuming that the Share Subdivision and [REDACTED] had been completed on 31 December 2023. These amounts are converted from Renminbi to Hong Kong dollars or Hong Kong dollars to Renminbi at an exchange rate of RMB1.00 to HK\$1.10403 (being the middle exchange rate set by the People’s Bank of China prevailing on 15 April 2024). No representation is made that Renminbi/Hong Kong dollars amount have been, could have been or may be converted to Hong Kong dollars/Renminbi at that rate or at all.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

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[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAWS

Set out below is a summary of certain provisions of the constitution of the Company and certain aspects of the company laws of the Cayman Islands.

The Company was registered by way of continuation in the Cayman Islands as an exempted company with limited liability on April 16, 2024 under the Companies Act. The Company's constitutional documents consist of the Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

The Memorandum and Articles provides, *inter alia*, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted (and therefore include acting as an investment holding company) and that the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [●] and will become effective on the [REDACTED]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) *Classes of Shares*

The share capital of the Company consists of a single class of ordinary shares.

(b) *Variation of Rights of Existing Shares or Classes of Shares*

If at any time the share capital of the Company is divided into different classes of Shares, all or any of the rights attached to any class of Shares for the time being issued (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of at least three-fourths of the issued Shares of that class, or with the approval of a resolution passed by at least three-fourths of the votes cast by the holders of the Shares of that class present and voting in person or by proxy at a separate meeting of such holders. The provisions of the Articles relating to general meetings shall apply *mutatis mutandis* to every such separate meeting, except that the necessary quorum shall be two persons together holding (or, in the case of a member being a corporation, by its duly authorised representative), or representing by proxy, at least one-third of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

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For the purposes of a separate class meeting, the Board may treat two or more classes of Shares as forming one class of Shares if the Board considers that such classes of Shares would be affected in the same way by the proposals under consideration, but in any other case shall treat them as separate classes of Shares.

Any rights conferred upon the holders of Shares of any class shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

(c) Alteration of Capital

The Company may by ordinary resolution:

- (i) increase its share capital by the creation of new Shares of such amount and with such rights, priorities and privileges attached to such Shares as it may determine;
- (ii) consolidate and divide all or any of its share capital into Shares of a larger amount than its existing Shares. On any consolidation of fully paid Shares and division into Shares of a larger amount, the Board may settle any difficulty which may arise as it thinks expedient and, in particular (but without prejudice to the generality of the foregoing), may as between the holders of Shares to be consolidated determine which particular Shares are to be consolidated into a consolidated Share, and if it shall happen that any person shall become entitled to fractions of a consolidated Share or Shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the Shares so sold to the purchaser(s) thereof and the validity of such transfer shall not be questioned, and the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated Share or Shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (iii) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum and Articles; and
- (iv) cancel any Shares which, as at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the Shares so cancelled.

The Company may by special resolution reduce its share capital or any undistributable reserve, subject to the provisions of the Companies Act.

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(d) Transfer of Shares

Subject to the terms of the Articles, any member of the Company may transfer all or any of his Shares by an instrument of transfer. If the Shares in question were issued in conjunction with rights, options, warrants or units issued pursuant to the Articles on terms that one cannot be transferred without the other, the Board shall refuse to register the transfer of any such Share without evidence satisfactory to it of the like transfer of such right, option, warrant or unit.

Subject to the Articles and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a recognised clearing house or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that Share.

Subject to the provisions of the Companies Act, if the Board considers it necessary or appropriate, the Company may establish and maintain a branch register or registers of members at such location or locations within or outside the Cayman Islands as the Board thinks fit. The Board may, in its absolute discretion, at any time transfer any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid Share) to a person of whom it does not approve or on which the Company has a lien, or a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any Share to more than four joint holders. It may also decline to recognise any instrument of transfer if the proposed transfer does not comply with the Articles or any requirements of the Listing Rules.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

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The register of members may, subject to the Listing Rules and the relevant section of the Companies Ordinance, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Redemption of Shares

Subject to the provisions of the Companies Act, the Listing Rules and any rights conferred on the holders of any Shares or attaching to any class of Shares, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the members or the Company. The redemption of such Shares shall be effected in such manner and upon such other terms as the Company may by special resolution determine before the issue of such Shares.

(f) Power of the Company to Purchase its own Shares

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to purchase or otherwise acquire all or any of its own Shares (which includes redeemable Shares), provided that the manner and terms of purchase have first been authorised by ordinary resolution and that any such purchase shall only be made in accordance with the relevant code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong from time to time in force.

(g) Power of any Subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(h) Calls on Shares and Forfeiture of Shares

Subject to the terms of allotment and issue of any Shares (if any), the Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the Shares held by them (whether in respect of par value or share premium). A member who is the subject of the call shall (subject to receiving at least 14 clear days' notice specifying the time or times for payment) pay to the Company at the time or times so specified the amount called on his Shares. A call may be made payable either in one sum or by instalments, and shall be deemed to have been made at the time

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when the resolution of the Board authorising such call was passed. The joint holders of a Share shall be severally as well as jointly liable for the payment of all calls and instalments due in respect of such Share.

If a call remains unpaid after it has become due and payable, the member from whom the sum is due shall pay interest on the unpaid amount at such rate as the Board shall determine (together with any expenses incurred by the Company as a result of such non-payment) from the day it became due and payable until it is paid, but the Board may waive payment of such interest or expenses in whole or in part.

If a member fails to pay any call or instalment of a call after it has become due and payable, the Board may, for so long as any part of the call or instalment remains unpaid, give to such member not less than 14 clear days' notice requiring payment of the unpaid amount together with any interest which may have accrued and which may still accrue up to the date of payment (together with any expenses incurred by the Company as a result of such non-payment). The notice shall specify a further day on or before which the payment required by the notice is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the Shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any Share in respect of which the notice was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Board. Such forfeiture shall include all dividends, other distributions and other monies payable in respect of the forfeited Share and not paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited Shares, shall surrender to the Company for cancellation the certificate(s) for the Shares forfeited and shall remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of payment as the Board may determine and any expenses incurred by the Company as a result of such non-payment.

2.2 Directors

(a) *Appointment, Retirement and Removal*

The Company may by ordinary resolution of the members elect any person to be a Director. The Board may also appoint any person to be a Director at any time, either to fill a casual vacancy or as an additional Director subject to any maximum number fixed by the members in general meeting or the Articles. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment

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and shall then be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The members may by ordinary resolution remove any Director (including a president or executive Director) before the expiration of his term of office, notwithstanding anything in the Articles or any agreement between the Company and such Director, and may by ordinary resolution elect another person in his stead. Nothing shall be taken as depriving a Director so removed of any compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns from his office as Director;
- (ii) the Director is absent, without being represented by proxy or an alternate Director appointed by him, for a continuous period of 12 months without special leave of absence from the Board, and the Board passes a resolution that he has by reason of such absence vacated his office;
- (iii) the Director becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (iv) the Director dies or an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (v) the Director is prohibited from being or ceases to be a Director by operation of law;
- (vi) the Director has been required by the Stock Exchange to cease to be a Director or no longer qualifies to be a Director pursuant to the Listing Rules; or
- (vii) the Director is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

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At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. If the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors, provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire at each annual general meeting shall be those who have been in office longest since their last re-election or appointment and, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(b) Power to Allot and Issue Shares and other Securities

Subject to the provisions of the Companies Act, the Memorandum and Articles and, where applicable, the Listing Rules, and without prejudice to any rights or restrictions for the time being attached to any Shares, the Board may allot, issue, grant options over or otherwise dispose of Shares with or without preferred, deferred or other rights or restrictions, whether with regard to dividend, voting, return of capital or otherwise, to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no Shares shall be issued at a discount to their par value.

The Company may issue rights, options, warrants or convertible securities or securities of a similar nature conferring the right upon the holders thereof to subscribe for, purchase or receive any class of Shares or other securities in the Company on such terms as the Board may from time to time determine.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to Dispose of the Assets of the Company or any of its Subsidiaries

Subject to the provisions of the Companies Act, the Memorandum and Articles and any directions given by special resolution of the Company, the Board may exercise all powers and do all acts and things which may be exercised or done by the Company to dispose of the assets of the Company or any of its subsidiaries. No alteration to the Articles and no direction given by special resolution of the Company shall invalidate any prior act of the Board which would have been valid if such alteration or direction had not been made or given.

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(d) Borrowing Powers

The Board may exercise all the powers of the Company to raise or borrow money, secure the payment of any sum or sums of money for the purposes of the Company, mortgage or charge all or any part of its undertaking, property and uncalled capital of the Company, and, subject to the Companies Act, issue debentures, debenture stock, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

A Director shall be entitled to receive such sums as shall from time to time be determined by the Board or the Company in general meetings. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in connection with attendance at meetings of the Board or committees of the Board, or general meetings of the Company or separate meetings of the holders of any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company and the discharge of their duties as Directors, and/or to receive fixed allowances in respect thereof as may be determined by the Board.

The Board or the Company in general meetings may also approve additional remuneration to any Director for any services which in the opinion of the Board or the Company in general meetings go beyond such Director's ordinary routine work as a Director.

(f) Compensation or Payments for Loss of Office

There are no provisions in the Articles relating to compensation or payment for loss of office.

(g) Loans to Directors

There are no provisions in the Articles relating to making of loans to Directors.

(h) Disclosure of Interest in Contracts with the Company or any of its Subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company.

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No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, nor shall any such contract or any other contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director is in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding such office or of the fiduciary relationship established by it, provided that the nature of interest of any Director or alternate Director in any such contract or transaction shall be disclosed by such Director or alternate Director at or prior to the consideration and vote thereon.

A Director shall not vote on (or be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or other proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted and he shall not be counted in the quorum for such resolution. This prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of Shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit or (B) any pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

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- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of Shares, debentures or other securities of the Company by virtue only of his/their interest in those Shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Unless otherwise determined, two Directors shall be a quorum. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the Constitutional Documents and the Company's Name

The Memorandum and Articles may only be altered or amended, and the name of the Company may only be changed, by special resolution of the Company.

2.5 Meetings of Members

(a) *Special and Ordinary resolutions*

A special resolution must be passed by a majority of not less than two-thirds (other than in relation to any resolution approving changes to the Company's constitutional documents or a voluntary winding up of the Company, in which case a special resolution must be passed by a majority of not less than three-fourths) of the voting rights held by such members as, being entitled so to do, vote in person or by proxy or, in the case of any members which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. A special resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

An ordinary resolution, in contrast, is a resolution passed by a simple majority of the voting rights held by such members as, being entitled to do so, vote in person or by proxy or, in the case of any member which is a corporation, by its duly authorised representative(s) or by proxy, at a general meeting. An ordinary resolution may also be approved in writing by all the members entitled to vote at a general meeting in one or more instruments each signed by one or more of such members.

The provisions of special resolutions and ordinary resolutions shall apply *mutatis mutandis* to any resolutions passed by the holders of any class of shares.

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(b) Voting Rights and Right to Demand a Poll

Subject to any rights, restrictions or privileges as to voting for the time being attached to any class or classes of Shares, at any general meeting: (a) on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for every Share and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote.

In the case of joint holders, the vote of the senior holder who tenders a vote, whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of the relevant Shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation or other non-natural person could exercise as if it were a natural person member of the Company.

If a recognised clearing house or its nominee(s) is a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company, provided that if more than one person is so authorised, the authorisation shall specify the number and class of Shares in respect of which each such person is so authorised. A person so authorised shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house or its nominee(s) as if such person were a natural person member of the Company, including the right to speak and vote individually on a show of hands or on a poll.

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All members of the Company (including a member which is a recognised clearing house (or its nominee(s))) shall have the right to (i) speak at a general meeting and (ii) and vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration. Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual General Meetings and Extraordinary General Meetings

The Company must hold a general meeting as its annual general meeting in each financial year. Such meeting shall be specified as such in the notices calling it, and must be held within six months after the end of the Company's financial year. A meeting of the members or any class thereof may be held by telephone, tele-conferencing or other electronic means, provided that all participants are able to communicate contemporaneously with one another, and participation in a meeting in such manner shall constitute presence at such meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. In addition, one or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per Share basis) in the share capital of the Company may make a requisition to convene an extraordinary general meeting and/or add resolutions to the agenda of a meeting. Such requisition, which must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists, shall be deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office of the Company. If the Board does not within 21 days from the date of deposit of such requisition duly proceed to convene a general meeting to be held within the following 21 days, the requisitionists or any of them representing more than one-half of the total voting rights of all the requisitionists may themselves convene a general meeting, but any such meeting so convened shall be held no later than the day falling three months after the expiration of the said 21-day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by the Board, and all reasonable expenses incurred by the requisitionists shall be reimbursed to the requisitionists by the Company.

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(d) Notices of Meetings and Business to be Conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the date, time, place and agenda of the meeting, the particulars of the resolution(s) to be considered at the meeting and the general nature of the business to be considered at the meeting.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address, (to the extent permitted by the Listing Rules and all applicable laws and regulations) by electronic means or (in the case of a notice) by advertisement published in the manner prescribed under the Listing Rules and all applicable laws, rules and regulations, or by sending or otherwise making it available to the relevant person through such other means, whether electronically or otherwise, to the extent permitted by and in accordance with the Listing Rules and all applicable laws, rules and regulations.

Notwithstanding that a meeting of the Company is called by shorter notice than as specified above, if permitted by the Listing Rules, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights held by such members.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Board in its absolute discretion consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Board also has the power to provide in every notice calling a general meeting that in the event of a gale warning, a black rainstorm warning or extreme conditions is/are in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Board may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

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Where a general meeting is postponed:

- (A) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning, a black rainstorm warning or extreme conditions being in force on the day of the general meeting;
- (B) the Board shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting. Such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (C) only the business set out in the notice of the original meeting shall be considered at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be considered at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be considered at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles.

(e) Quorum for Meetings and Separate Class Meetings

No business shall be considered at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to approve the variation of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued Shares of that class.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAWS

(f) Proxies

Any member of the Company (including a member which is a recognised clearing house (or its nominee(s))) entitled to attend and vote at a meeting of the Company is entitled to appoint another person (being a natural person) as his proxy to attend and vote in his place. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is a natural person and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were a natural person member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing and executed under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation or other non-natural person, either under its seal or under the hand of a duly authorised representative.

The Board shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and time (being no later than the time appointed for the commencement of the meeting or adjourned meeting to which the instrument of proxy relates) at which such instrument shall be deposited.

Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form that complies with the Listing Rules as the Board may from time to time approve. Any form issued to a member for appointing a proxy to attend and vote at a general meeting at which any business is to be considered shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise the discretion of the proxy in respect of) each resolution dealing with any such business.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAWS

2.6 Accounts and Audit

The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions in accordance with the Companies Act.

The books of accounts of the Company shall be kept at the principal place of business of the Company in Hong Kong or, subject to the provisions of the Companies Act, at such other place or places as the Board thinks fit and shall always be open to inspection by any Director. No member (not being a Director) or other person shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or as authorised by the Board or the Company in general meeting.

The Board shall cause to be prepared and laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law and the Listing Rules.

The members shall at each annual general meeting appoint auditor(s) to hold office by ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members at the annual general meeting at which they are appointed by ordinary resolution of the members or in any other manner as specified in such ordinary resolution. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in their place for the remainder of the term.

The accounts of the Company shall be prepared and audited based on the generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAWS

2.7 Dividends and other Methods of Distribution

Subject to the Companies Act and the Articles, the Company may by ordinary resolution resolve to declare dividends and other distributions on Shares in issue in any currency and authorise payment of the dividends or distributions out of the funds of the Company lawfully available therefor, provided that (i) no dividends shall exceed the amount recommended by the Board, and (ii) no dividends or distributions shall be paid except out of the realised or unrealised profits of the Company, out of the share premium account or as otherwise permitted by law.

The Board may from time to time pay to the members of the Company such interim dividends as appear to the Board to be justified by the financial conditions and the profits of the Company. In addition, the Board may from time to time declare and pay special dividends on Shares of such amounts and on such dates as it thinks fit.

Except as otherwise provided by the rights attached to any Shares, all dividends and other distributions shall be paid according to the amounts paid up on the Shares that a member holds during the period in respect of which the dividends and distributions are paid. No amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share.

The Board may deduct from any dividends or other distributions payable to any member of the Company all sums of money (if any) then payable by him to the Company on account of calls or otherwise. The Board may retain any dividends or distributions payable on or in respect of a Share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividends or other distributions payable by the Company on or in respect of any Share shall carry interest against the Company.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may further resolve:

- (a) that such dividend be satisfied in whole or in part in the form of an allotment of Shares credited as fully paid on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of Shares credited as fully paid in lieu of the whole or such part of the dividend as the Board may think fit on the basis that the Shares so allotted shall be of the same class as the class already held by the allottee.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAWS

Upon the recommendation of the Board, the Company may by ordinary resolution resolve in respect of any one particular dividend of the Company determine that notwithstanding the foregoing, a dividend may be satisfied wholly in the form of an allotment of Shares credited as fully paid without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividends, distributions or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder of such Shares or by cheque or warrant sent by post to the registered address of such holder, or in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company, or to such person and to such address as the holder or joint holders may in writing direct. Any one of two or more joint holders may give effectual receipts for any dividends, distributions or other monies payable in respect of the Shares held by them as joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied in whole or in part by the distribution of specific assets of any kind.

Any dividends or other distributions which remain unclaimed for six years from the date on which such dividends or distributions become payable shall be forfeited and shall revert to the Company.

2.8 Inspection of Corporate Records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

2.9 Rights of Minorities in relation to Fraud or Oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 below.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAWS

2.10 Procedures on Liquidation

Subject to the Companies Act, the members of the Company may by special resolution resolve to wind up the Company voluntarily or by the court.

Subject to any rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of Shares:

- (a) if the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed *pari passu* among such members in proportion to the amount paid up on the Shares held by them at the commencement of the winding up; and
- (b) if the assets available for distribution among the members of the Company are insufficient to repay the whole of the Company's paid up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or ought to be paid up, on the Shares held by them at the commencement of the winding up.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the approval of a special resolution and any other approval required by the Companies Act, divide among the members in kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like approval, vest any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was registered by way of continuation in the Cayman Islands as an exempted company on April 16, 2024 subject to the Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAWS

3.1 Company Operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share Capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premium on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

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3.3 Financial Assistance to Purchase Shares of a Company or its Holding Company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of Shares and Warrants by a Company and its Subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAWS

3.5 Dividends and Distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of Minorities and Shareholders' Suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of Assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

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3.8 Accounting and Auditing Requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange Control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to Directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

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3.13 Inspection of Corporate Records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of Members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of Directors and Officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement

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of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Mergers and consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent

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company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting members have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

3.18 Mergers and Consolidations involving a Foreign Company

Where the merger or consolidation involves a foreign company, the procedure is similar, save that with respect to the foreign company, the directors of the Cayman Islands exempted company are required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the merger or consolidation is permitted or not prohibited by the constitutional documents of the foreign company and by the laws of the jurisdiction in which the foreign company is incorporated, and that those laws and any requirements of those constitutional documents have been or will be complied with; (ii) that no petition or other similar proceeding has been filed and remains outstanding or order made or resolution adopted to wind up or liquidate the foreign company in any jurisdictions; (iii) that no receiver, trustee, administrator or other similar person has been appointed in any jurisdiction and is acting in respect of the foreign company, its affairs or its property or any part thereof; and (iv) that no scheme, order, compromise or other similar arrangement has been entered into or made in any jurisdiction whereby the rights of creditors of the foreign company are and continue to be suspended or restricted.

Where the surviving company is the Cayman Islands exempted company, the directors of the Cayman Islands exempted company are further required to make a declaration to the effect that, having made due enquiry, they are of the opinion that the requirements set out below have been met: (i) that the foreign company is able to pay its debts as they fall due and that the merger or consolidated is bona fide and not intended to defraud unsecured creditors of the foreign company; (ii) that in respect of the transfer of any security interest granted by the foreign company to the surviving or consolidated company (a) consent or approval to the transfer has been obtained, released or waived; (b) the transfer is permitted by and has been approved in accordance with the constitutional documents of the foreign company; and (c) the laws of the jurisdiction of the foreign company with respect to the transfer have been or will be complied with; (iii) that the foreign company will, upon the merger or consolidation becoming effective, cease to be incorporated, registered or exist under the laws of the relevant foreign jurisdiction; and (iv) that there is no other reason why it would be against the public interest to permit the merger or consolidation.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND THE CAYMAN ISLANDS COMPANIES LAWS

3.19 Reconstructions and Amalgamations

Reconstructions and amalgamations may be approved by (i) 75% in value of the members or class of members or (ii) a majority in number representing 75% in value of the creditors or class of creditors, in each case depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, it can be expected that the court would approve the transaction if it is satisfied that (i) the company is not proposing to act illegally or beyond the scope of our corporate authority and the statutory provisions as to majority vote have been complied with, (ii) the members have been fairly represented at the meeting in question, (iii) the transaction is such as a businessman would reasonable approve and (iv) the transaction is not one that would more properly be sanctioned under some other provisions of the Companies Act or that would amount to a "fraud on the minority".

If the transaction is approved, no dissenting member would have any rights comparable to the appraisal rights (namely the right to receive payment in cash for the judicially determined value of his shares), which may be available to dissenting members of corporations in other jurisdictions.

3.20 Takeovers

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.21 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

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3.22 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal advisor on Cayman Islands laws, has sent to the Company a letter of advice summarising the aspects of the Companies Act set out in section 3 above. This letter, together with copies of the Companies Act, the Memorandum and Articles, is on display on the websites of the Stock Exchange and the Company as referred to in the subsection headed "Documents available on display" in Appendix V. Any person wishing to have a detailed summary of the Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the BVI on July 4, 1995 a BVI business company with limited liability. On April 16, 2024, our Company was redomiciled to the Cayman Islands and discontinued as a company incorporated under BVI Business Companies Act 2004 (as amended). Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of certain provisions of our Memorandum and Articles of Association and relevant aspects of the Cayman Companies Act is set out in Appendix III to this document.

Our registered office address is at 4th Floor, Harbour Place, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. We [have been registered] as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong and our Company's principal place of business in Hong Kong is at 37/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. Mr. CHUNG Ming Fai has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 37/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

As at the date of this document, our Company's head office was located at Shenzhen High-tech Industrial Park (North District), 22 Langshan Road, Shenzhen, Guangdong Province, PRC.

2. Changes in Share Capital

On July 4, 1995, our Company was incorporated with an authorized share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each.

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this document:

On April 21, 2024, our Shareholders resolved, among other things, that each issued and unissued ordinary share of US\$1.00 par value be subdivided into 2,000,000 Shares of US\$0.0000005 par value each ("**Share Subdivision**"), so that CRH Beverage holds 1,200,000,000 Shares of US\$0.0000005 par value each, and Plateau holds 800,000,000 Shares of US\$0.0000005 par value each.

Save as disclosed above, there has been no change in our share capital within two years immediately preceding the date of this document.

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3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in the Accountants' Report as set out in Appendix I to this document.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this document:

| | |
|---|---|
| China Resources C'estbon Beverage (Yixing) Co., Ltd. | On August 16, 2022, the registered capital of China Resources C'estbon Beverage (Yixing) Co., Ltd. was increased from RMB10,000,000 to RMB450,000,000 |
| Heyuan Biyouxuan Drinking Water Co., Ltd. | On April 23, 2023, the registered capital of Heyuan Biyouxuan Drinking Water Co., Ltd. increased from RMB10,000,000 to RMB132,363,067 |
| China Resources C'estbon Beverage (Wenzhou) Co., Ltd. | China Resources C'estbon Beverage (Wenzhou) Co., Ltd. was registered on October 16, 2023 with a registered capital of RMB200,550,000 |

Save as set out above, there has been no alteration in the registered capital of our subsidiaries which took place within two years immediately preceding the date of this document.

4. Resolutions of the Shareholders of Our Company dated April 21, 2024 and [●]

On April 21, 2024, our Shareholders resolved, among other things, that the authorized share capital of our Company be changed from US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each to US\$50,000 divided into 100,000,000,000 Shares of a par value of US\$0.0000005 each.

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On [●], the following resolutions of the Company were passed by the Shareholders that, among other things, conditional upon the satisfaction (or, if applicable, waiver) of the conditions set out in "Structure of the [REDACTED] — [REDACTED]" and pursuant to the terms set out therein:

- (i) the Company approved and adopted the amended and restated Memorandum and Articles of Association with effect from the [REDACTED];
- (ii) the [REDACTED] and the grant of the [REDACTED] were approved and the Directors, were authorized to allot and [REDACTED] new Shares pursuant to the [REDACTED];
- (iii) the [REDACTED] was approved and the Directors, or a committee of Directors duly authorized by the Directors or the Authorized Signatory, were authorized to implement the [REDACTED];
- (iv) subject to the "lock-up" provisions under Rule 10.08 of the Listing Rules, a general unconditional mandate was granted to the Directors pursuant to the Articles of Association to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the aggregate number of Shares allotted or agreed to be allotted by the Directors other than pursuant to a (i) rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares or (iii) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of:
 - (A) [REDACTED]% of the aggregate nominal value of the Shares in issue immediately following the completion of the [REDACTED]; and
 - (B) the aggregate number of Shares repurchased by the Company (if any) under the general mandate to repurchase Shares referred to in paragraph below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of the Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, or (II) the expiration of the period within which the Company's next annual general meeting is required by the Memorandum and Articles of Association or any applicable laws to be held or (III) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "Relevant Period"), and the Directors were authorized to exercise the powers of the Company referred to above in respect of the share capital of the Company referred to in paragraph (B) above; and

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- (v) a general unconditional mandate was granted to the Directors to exercise all the powers of the Company to repurchase the Shares on the Hong Kong Stock Exchange, or on any other stock exchange on which the Shares may be [REDACTED] (and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose) not exceeding in aggregate [REDACTED]% of the total number of Shares in issue immediately following the completion of the [REDACTED] in accordance with all applicable laws and the requirements of the Listing Rules, such mandate to remain in effect during the period from the passing of the resolution until the earliest of (I) the conclusion of the next annual general meeting of the Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions, (II) the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held and (III) the date on which the mandate is varied or revoked by an ordinary resolution of the Shareholders in general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Hong Kong Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) *Provision of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their own securities on the Hong Kong Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], the Repurchase Mandate was granted to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Hong Kong Stock Exchange, or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Hong Kong Stock Exchange for this purpose, with a total nominal value up to [REDACTED]% of the aggregate nominal value of our Shares in issue immediately following the completion of the [REDACTED] (excluding any Shares which may be issued under the [REDACTED]), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or

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subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange as amended from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Hong Kong Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Hong Kong Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Hong Kong Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Hong Kong Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require.

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(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Hong Kong Stock Exchange or, otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as canceled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Companies Act.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Hong Kong Stock Exchange other than in exceptional circumstances. In addition, the Hong Kong Stock Exchange may prohibit a repurchase of securities on the Hong Kong Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Hong Kong Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

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(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will be in the interest of our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately following the completion of the [REDACTED], but assuming the [REDACTED] is not exercised, could accordingly result in up to approximately [REDACTED] Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

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Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, if the Repurchase Mandate is exercised, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Hong Kong Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

[REDACTED]















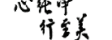
APPENDIX IV STATUTORY AND GENERAL INFORMATION

2. Intellectual Property Rights

(a) Trademarks

(i) Trademarks registered in the PRC



As of the Latest Practicable Date, we had registered the following trademarks in the PRC which we consider to be or may be material to our business:

| No. | Trademark | Registered Owner | Class | Registered Number | Expiry Date |
|-----|---|------------------|-------|-------------------|--------------------|
| 1. |  | C'estbon China | 30 | 34438947 | March 6, 2030 |
| 2. |  | C'estbon China | 30 | 34449981 | October 6, 2029 |
| 3. |  | C'estbon China | 32 | 1789131 | June 13, 2032 |
| 4. |  | C'estbon China | 32 | 1794139 | June 20, 2032 |
| 5. |  | C'estbon China | 32 | 6710077 | April 6, 2030 |
| 6. |  | C'estbon China | 32 | 6616962 | March 27, 2030 |
| 7. |  | C'estbon China | 32 | 6766352 | April 13, 2030 |
| 8. |  | C'estbon China | 32 | 6766353 | April 13, 2030 |
| 9. |  | C'estbon China | 32 | 7527587 | September 13, 2030 |
| 10. |  | C'estbon China | 32 | 7584594 | September 20, 2030 |
| 11. |  | C'estbon China | 32 | 7584339 | November 6, 2030 |
| 12. |  | C'estbon China | 32 | 8947843 | December 20, 2031 |
| 13. |  | C'estbon China | 32 | 13052155 | December 27, 2024 |
| 14. |  | C'estbon China | 32 | 14635376 | August 27, 2025 |
| 15. |  | C'estbon China | 32 | 17788812 | October 13, 2026 |

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| No. | Trademark | Registered Owner | Class | Registered Number | Expiry Date |
|-----|---|------------------|-------|-------------------|--------------------|
| 16. | 佐味茶事 | C'estbon China | 30 | 33310720 | June 20, 2029 |
| 17. | 愿事之茗 | C'estbon China | 30 | 33508030 | May 13, 2029 |
| 18. |  | C'estbon China | 30 | 35652089 | September 20, 2029 |
| 19. | 至本清润 | C'estbon China | 30 | 68762195 | June 20, 2033 |
| 20. |  | C'estbon China | 32 | 3144780 | October 27, 2033 |
| 21. | 魔力 | C'estbon China | 32 | 42742425 | April 6, 2034 |
| 22. | 加林山 | C'estbon China | 32 | 9624844 | July 27, 2032 |
| 23. | Mulene | C'estbon China | 32 | 44970425 | November 20, 2030 |
| 24. |  | C'estbon China | 32 | 52373986 | September 6, 2031 |
| 25. | PEACH Holiday 桃桃假日 | C'estbon China | 32 | 52978143 | August 27, 2031 |
| 26. |  | C'estbon China | 32 | 53676886 | September 6, 2031 |
| 27. |  | C'estbon China | 32 | 32436901 | February 6, 2030 |
| 28. |  | C'estbon China | 32 | 46424885 | June 6, 2031 |
| 29. | 永隆 | C'estbon China | 32 | 56429323 | January 20, 2033 |
| 30. | 怡宝蜜百水香 | C'estbon China | 32 | 56965114 | January 20, 2032 |
| 31. | 至本清润 | C'estbon China | 32 | 63506894 | October 6, 2032 |
| 32. | 怡宝橙橙假日 | C'estbon China | 32 | 65051629 | November 27, 2032 |

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| No. | Trademark | Registered Owner | Class | Registered Number | Expiry Date |
|-----|---|------------------|-------|-------------------|----------------|
| 33. |  | C'estbon China | 32 | 66999870 | March 13, 2033 |
| 34. |  | C'estbon China | 32 | 67004776 | March 13, 2033 |


(ii) Trademarks registered in Hong Kong

As of the Latest Practicable Date, we had registered the following trademarks in Hong Kong which we consider to be or may be material to our business:

| No. | Trademark | Registered Owner | Class | Registered Number | Expiry Date |
|-----|---|------------------|----------------------------|-------------------|-------------------|
| 1. |  | C'estbon China | 32 | 300118377 | November 26, 2033 |
| 2. |  | C'estbon China | 11, 16, 20, 29, 30, 32, 33 | 301395216 | July 29, 2029 |

(iii) Trademarks registered in Macau



As of the Latest Practicable Date, we had registered the following trademark in Macau which we consider to be or may be material to our business:

| No. | Trademark | Registered Owner | Class | Registered Number | Expiry Date |
|-----|---|------------------|-------|-------------------|-------------------|
| 1. |  | C'estbon China | 32 | N/031005 | February 25, 2029 |

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(iv) Trademarks applications pending in the PRC

As of the Latest Practicable Date, we had applied for the registration of the following trademarks in the PRC which we consider to be or may be material to our business:

| No. | Trademark | Applicant | Class | Application Number | Application Date |
|-----|---|----------------|-------|--------------------|------------------|
| 1. |  | C'estbon China | 32 | 63233196 | March 14, 2022 |
| 2. |  | C'estbon China | 32 | 68244024 | November 9, 2022 |

(v) Trademarks applications pending in Hong Kong

As of the Latest Practicable Date, we had not applied for the registration of any trademarks in Hong Kong which we consider to be or may be material to our business.

(vi) Trademarks licensed

As of the Latest Practicable Date, we were licensed to use the following registered trademarks which we consider to be or may be material to our business:

| No. | Trademark | Registered Owner | Place of registration |
|-----|---|--|-----------------------|
| 1. |  | KIRIN | PRC |
| 2. |  | KIRIN | PRC |
| 3. |  | KIRIN | PRC |
| 4. |  | KIRIN | PRC |
| 5. |  | KIRIN | PRC |
| 6. |  | China Resources Intellectual Property Limited | Hong Kong |
| 7. |  | China Resources Intellectual Property Management Co., Ltd. | PRC |
| 8. |  | China Resources Intellectual Property Management Co., Ltd. | PRC |

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(b) Copyrights

(i) Copyrights registered

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be or may be material to our business:

| No. | Copyright | Registered Owner | Registration Number |
|------------|---|-------------------------|---|
| 1. | Green Ribbon (怡寶C'ESTBON.綠色飄帶) | C'estbon China | Guozudengzi (國作登字)- 2014-F-00134960 |
| 2. | C'estbon purified water bottle label (怡寶純淨水瓶標) | C'estbon China | Guozudengzi (國作登字)- 2015-F-00174270 |
| 3. | Grape Holiday logo (葡萄假日logo) | C'estbon China | Guozudengzi (國作登字)- 2021-F-00041295 |
| 4. | C'estbon FEEL bubble water bottle label (華潤怡寶FEEL氣泡水瓶標) | C'estbon China | Guozudengzi (國作登字)- 2021-F-00041297 |
| 5. | Peach Holiday fruit juice beverage label design (桃桃假日果汁飲料標籤設計) | C'estbon China | Guozudengzi (國作登字)- 2021-F-00111845 |
| 6. | C'estbon Mi Shui orange logo (怡寶蜜水橙logo) | C'estbon China | Guozudengzi (國作登字)- 2021-F-00111847 |
| 7. | C'estbon Zhi Ben Qing Run chrysanthemum tea label design (怡寶 至本清潤菊花茶標籤設計) | C'estbon China | Guozudengzi (國作登字)- 2021-F-00217969 |
| 8. | Mi Shui lemonade bottle design (350ML) (蜜水檸檬水瓶設計(350ML)) | C'estbon China | Guozudengzi (國作登字)- 2021-F-00285641 |
| 9. | Mi Shui lemonade bottle design (480ML) (蜜水檸檬水瓶設計(480ML)) | C'estbon China | Guozudengzi (國作登字)- 2021-F-00285640 |
| 10. | C'estbon Pineapple Holiday fruit juice beverage label design (怡寶菠蘿假日果汁飲料標籤設計) | C'estbon China | Guozudengzi (國作登字)- 2022-F-10080986 |
| 11. | C'estbon Honeydew Melon Holiday fruit juice beverage label design (怡寶蜜瓜 假日果汁飲料標籤設計) | C'estbon China | Guozudengzi (國作登字)- 2022-F-10080985 |
| 12. | C'estbon FEEL bubble soda water lime odor label (怡寶FEEL氣泡蘇打水青檸 味標籤) | C'estbon China | Guozudengzi (國作登字)- 2022-F-10229721 |
| 13. | C'estbon FEEL bubble soda water original taste label (怡寶FEEL氣泡蘇打水原味 標籤) | C'estbon China | Guozudengzi (國作登字)- 2022-F-10229722 |

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| No. | Copyright | Registered Owner | Registration Number |
|------------|--|-------------------------|---|
| 14. | C'estbon FEEL bubble soda water can bottling label series works (怡寶FEEL 氣泡蘇打水CAN裝瓶標系列作品) | C'estbon China | Guozuodengzi (國作登字)- 2022-F-10256101 |
| 15. | C'estbon Zhi Ben Qing Run chrysanthemum tea, lemonade label design (series of works) (怡寶至本清潤菊花茶、檸檬茶標籤設計(系列作品)) | C'estbon China | Guozuodengzi (國作登字)- 2023-F-00019058 |
| 16. | Series of works of Ben You (本優系列作品) | C'estbon China | Guozuodengzi (國作登字)- 2023-F-00038534 |

(ii) Software Copyrights registered

As of 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 |
|------------|---|-------------------------|----------------------------|
| 1. | China Resources C'estbon Customer Management Delivery Management System Software [Delivery Management System] V 1.0 (華潤怡寶客戶管理收發貨管理系統軟件[簡稱:收發貨管理系統]V1.0) | C'estbon China | 2017SR445025 |
| 2. | China Resources C'estbon Customer Management Scheduling System Software [Scheduling System] V 1.0 (華潤怡寶客戶管理排單調度系統軟件[簡稱:排單調度系統]V1.0) | C'estbon China | 2017SR445047 |
| 3. | China Resources C'estbon Customer Management Plan Management System Software [Plan Management System] V 1.0 (華潤怡寶客戶管理計劃管理系統軟件[簡稱:計劃管理系統]V1.0) | C'estbon China | 2017SR445058 |

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| No. | Copyright | Registered Owner | Registration Number |
|-----|--|------------------|---------------------|
| 4. | China Resources C'estbon Customer Management and Purchase-Sale-Storage Reporting System Software [the purchase-sale-storage-extraction system] V 1.0 (華潤怡寶客戶管理進銷存提報系統軟件[簡稱:進銷存提報系統]V1.0) | C'estbon China | 2017SR445156 |
| 5. | China Resources C'estbon Customer Management Order Management System Software [Order Management System] V 1.0 (華潤怡寶客戶管理訂單管理系統軟件[簡稱:訂單管理系統]V1.0) | C'estbon China | 2017SR445157 |
| 6. | China Resources C'estbon Customer Management Contract Management System Software [Contract Management System] V 1.0 (華潤怡寶客戶管理合同管理系統軟件[簡稱:合同管理系統]V1.0) | C'estbon China | 2017SR445170 |
| 7. | China Resources C'estbon Customer Management Ledger Reconciliation Management System Software [Account Reconciliation Management System] V 1.0 (華潤怡寶客戶管理查賬對賬管理系統軟件[簡稱:查賬對賬管理系統]V1.0) | C'estbon China | 2017SR445174 |
| 8. | China Resources C'estbon Customer Management Price Management System Software [Price Management System] V 1.0 (華潤怡寶客戶管理價格管理系統軟件[簡稱:價格管理系統]V1.0) | C'estbon China | 2017SR445753 |
| 9. | China Resources C'estbon Mobile Payment Platform Software [Mobile Payment] V 1.0 (華潤怡寶移動支付平台軟件[簡稱:移動支付]V1.0) | C'estbon China | 2017SR520739 |

APPENDIX IV STATUTORY AND GENERAL INFORMATION

| No. | Copyright | Registered Owner | Registration Number |
|-----|---|------------------|---------------------|
| 10. | China Resources C'estbon PET Payment Information Management System Software [Payment Information Management System] 1.0 (華潤怡寶PET付款信息管理系統軟件[簡稱:付款信息管理系統]1.0) | C'estbon China | 2020SR0144932 |
| 11. | China Resources C'estbon PET Contract Management System Software [Contract Management System] 1.0 (華潤怡寶PET合同管理系統軟件[簡稱:合同管理系統]1.0) | C'estbon China | 2020SR0145715 |
| 12. | China Resources C'estbon PET Basic Data Management System Software [Basic Data Management System] 1.0 (華潤怡寶PET基礎數據管理系統軟件[簡稱:基礎數據管理系統]1.0) | C'estbon China | 2020SR0144902 |
| 13. | China Resources C'estbon PET Approval Data Management System Software [Approval Data Management System] 1.0 (華潤怡寶PET批復數據管理系統軟件[簡稱:批復數據管理系統]1.0) | C'estbon China | 2020SR0145137 |
| 14. | China Resources C'estbon PET Report Data Management System Software [Report Data Management System] 1.0 (華潤怡寶PET報表數據管理系統軟件[簡稱:報表數據管理系統]1.0) | C'estbon China | 2020SR0145061 |
| 15. | China Resources C'estbon PET Reconciliation Management System Software [Accounting Management System] 1.0 (華潤怡寶PET調賬管理系統軟件[簡稱:調賬管理系統]1.0) | C'estbon China | 2020SR0145127 |

APPENDIX IV STATUTORY AND GENERAL INFORMATION

| No. | Copyright | Registered Owner | Registration Number |
|-----|--|------------------|---------------------|
| 16. | China Resources C'estbon PET User Data Management System Software [User Data Management System] 1.0 (華潤怡寶PET用戶數據管理系統軟件[簡稱:用戶數據管理系統]1.0) | C'estbon China | 2020SR0145046 |
| 17. | China Resources C'estbon PET Operation Management System Software [Operation Management System] 1.0 (華潤怡寶PET運營管理系統軟件[簡稱:運營管理系統]1.0) | C'estbon China | 2020SR0145051 |
| 18. | China Resources C'estbon DMS Financial Collaborative Management Software [Financial Collaborative Management] V 1.0 (華潤怡寶DMS財務協同管理軟件[簡稱:財務協同管理]V1.0) | C'estbon China | 2020SR0269738 |
| 19. | China Resources C'estbon DMS Order Management Software [Order Management Software] V 2.0 (華潤怡寶DMS訂單管理軟件[簡稱:訂單管理軟件]V2.0) | C'estbon China | 2020SR0270072 |
| 20. | China Resources C'estbon DMS Customer Management Software V1.0 (華潤怡寶DMS客戶管理軟件V1.0) | C'estbon China | 2020SR0270284 |
| 21. | China Resources C'estbon DMS Background Management Software [Background Management Software] V 1.0 (華潤怡寶DMS後台管理軟件[簡稱:後台管理軟件]V1.0) | C'estbon China | 2020SR0526302 |
| 22. | China Resources C'estbon DMS Purchase-Sale-Storage Management Software [Purchase-Sale-Storage Management Software] V 2.0 for short) (華潤怡寶DMS進銷存管理軟件[簡稱:進銷存管理軟件]V2.0) | C'estbon China | 2020SR0597614 |

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| No. | Copyright | Registered Owner | Registration Number |
|------------|---|--|----------------------------|
| 23. | Bottled Purified Water Quality Remote Monitoring System V 1.0 (瓶裝純淨水水質遠端監測系統 V1.0) | China Resources C'estbon Beverage (Liu'an) Co., Ltd. | 2019SR0553869 |
| 24. | High-efficiency Filtering for Producing Bottled Purified Water System V 1.0 (瓶裝純淨水生產用 高效過濾系統V1.0) | China Resources C'estbon Beverage (Liu'an) Co., Ltd. | 2019SR0552391 |
| 25. | Bottled Purified Water Pipeline Water Supply Reverse Osmosis System V 1.0 (瓶裝純淨水管道供水反滲透系統V1.0) | China Resources C'estbon Beverage (Liu'an) Co., Ltd. | 2019SR0557792 |

(iii) Copyrights licensed

As of the Latest Practicable Date, we do not have any licensed copyrights which we consider to be or may be material to our business.

(c) Patents

(i) Patents registered

As of the Latest Practicable Date, we had registered the following patents which we consider to be or may be material to our business:

| No. | Patent | Type | Registered Owner | Registration Number |
|------------|---|---------------|-------------------------|----------------------------|
| 1. | A method for detecting content of sodium d-isoascorbate (一種D-異抗壞血酸鈉的含量檢測方法) | Invention | C'estbon China | ZL201310478788.2 |
| 2. | A beverage additive and application thereof (一種飲料添加劑及其應用) | Invention | C'estbon China | ZL201310478972.7 |
| 3. | A flip-open container cover with anti-theft ring (一種帶防盜環的翻啟式容器蓋) | Utility Model | C'estbon China | ZL201420476253.1 |
| 4. | A rotary container cover with inner plug (一種帶有內塞的旋式容器蓋) | Utility Model | C'estbon China | ZL201420476254.6 |

APPENDIX IV STATUTORY AND GENERAL INFORMATION

| <u>No.</u> | <u>Patent</u> | <u>Type</u> | <u>Registered Owner</u> | <u>Registration Number</u> |
|------------|---|---------------|-------------------------|----------------------------|
| 5. | A coffee bean direct fire baking device (一種咖啡豆直火烘焙設備) | Utility Model | C'estbon China | ZL201620124682.1 |
| 6. | A coffee bean direct fire baking machine (一種咖啡豆直火烘焙機) | Utility Model | C'estbon China | ZL201620124987.2 |
| 7. | Buckle (C'estbon 1.55L) (提扣(怡寶1.55L)) | Design | C'estbon China | ZL201830105732.6 |
| 8. | Buckle (C'estbon 4.5L) (提扣(怡寶4.5L)) | Design | C'estbon China | ZL201830105735.X |
| 9. | A container handle (一種容器瓶提手) | Utility Model | C'estbon China | ZL201820419936.1 |
| 10. | Packaging bottle (Grape Holiday) (包裝瓶(葡萄假日)) | Design | C'estbon China | ZL201930260704.6 |
| 11. | Packaging bottle (milk tea) (包裝瓶(奶茶)) | Design | C'estbon China | ZL201930321885.9 |
| 12. | A sensitive detection method for microorganisms in packaged drinking water (一種包裝飲用水中微生物的靈敏檢測方法) | Invention | C'estbon China | ZL201910582662.7 |
| 13. | Packaging bottle (Jialinshan) (包裝瓶(加林山)) | Design | C'estbon China | ZL201930393519.4 |
| 14. | Handle (12.8L) (提手(12.8L)) | Design | C'estbon China | ZL201930455345.X |
| 15. | A handle (一種提手) | Utility Model | C'estbon China | ZL201921474704.7 |
| 16. | Packaging bottle (fruit and vegetable juice) (包裝瓶(果蔬汁)) | Design | C'estbon China | ZL201930507992.0 |
| 17. | A bottle cap capable of being pressed by powder (一種可加粉劑按壓式的瓶蓋) | Utility Model | C'estbon China | ZL201922272173.X |
| 18. | A press-type bottle cap for large-package drinking water (一種大包裝飲用水按壓式瓶蓋) | Utility Model | C'estbon China | ZL201922274377.7 |
| 19. | A press-type bottle cap for large-package drinking water (一種大包裝飲用水按壓式瓶蓋) | Utility Model | C'estbon China | ZL201922301652.X |
| 20. | Packaging bottle (包裝瓶) | Design | C'estbon China | ZL201930708036.9 |
| 21. | Packaging bottle (包裝瓶) | Design | C'estbon China | ZL202030173995.8 |

APPENDIX IV STATUTORY AND GENERAL INFORMATION

| No. | Patent | Type | Registered Owner | Registration Number |
|------------|--|---------------|-------------------------|----------------------------|
| 22. | A tray (一種託盤) | Utility Model | C'estbon China | ZL202020086777.5 |
| 23. | Packaging bottle (Mulene) (包裝瓶(魔力)) | Design | C'estbon China | ZL202030048443.4 |
| 24. | Suggested purchase amount calculation method and apparatus based on pet purchase model (基於PET採 購模型的建議購買量計算方 法和裝置) | Invention | C'estbon China | ZL202010200207.9 |
| 25. | A container handle (一種容器 提手) | Utility Model | C'estbon China | ZL202022297220.9 |
| 26. | Packaging bottle (包裝瓶) | Design | C'estbon China | ZL202030611607.X |
| 27. | Bottle body (瓶身) | Design | C'estbon China | ZL202030745889.2 |
| 28. | Bottle body (瓶身) | Design | C'estbon China | ZL202030792718.5 |
| 29. | Bottle body (瓶身) | Design | C'estbon China | ZL202030792719.X |
| 30. | Water bottle (L'eau) (水瓶(怡 寶露)) | Design | C'estbon China | ZL202130758258.9 |
| 31. | Packaging bottle (fruit beverage) (包裝瓶(水果水)) | Design | C'estbon China | ZL202130691384.7 |
| 32. | Packaging bottle (Mi Shui 480ML) (包裝瓶(蜜水 480ML)) | Design | C'estbon China | ZL202130691396.X |
| 33. | Packaging bottle (Mi Shui 350ML) (包裝瓶(蜜水 350ML)) | Design | C'estbon China | ZL202130691401.7 |
| 34. | Bottles (chrysanthemum tea) (瓶子(菊花茶)) | Design | C'estbon China | ZL202230053917.3 |
| 35. | Bottles (Kara Salty Litchi) (瓶子(海鹽荔枝)) | Design | C'estbon China | ZL202230066099.0 |
| 36. | A large-packaging water tray (一種大包裝水託盤) | Utility Model | C'estbon China | ZL202221061329.5 |
| 37. | Water bottle (purified water 2022) (水瓶(純淨水2022)) | Design | C'estbon China | ZL202230542122.9 |
| 38. | Flip-type bottle cap (翻蓋式瓶蓋) | Utility Model | C'estbon China | ZL202222304085.5 |
| 39. | Rotary open bottle cap (旋轉開啟式瓶蓋) | Utility Model | C'estbon China | ZL202222496979.9 |

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(ii) *Patents licensed*

As of the Latest Practicable Date, we do not have any licensed patents which we consider to be or may be material to our business.

3. Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

| No. | Domain Name | Registered Owner | Expiry Date |
|-----|-------------------|------------------|------------------|
| 1. | crbeverage.com.cn | C'estbon China | January 26, 2025 |
| 2. | crbeverage.com | C'estbon China | January 26, 2025 |

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which we consider to be material or may be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts

Each of our Directors has entered into a service contract with our Company on [●]. The principal particulars of these service contracts are (a) for a term of three years commencing from the [REDACTED] until the day on which the next general meeting of the shareholders for re-election of Directors is held, and (b) are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles and the applicable laws, rules and regulations, including the Listing Rules.

Save as disclosed above, none of our Director has entered into, or has proposed to enter into, a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Remuneration of Directors

- (a) Remuneration and benefits in kind of approximately RMB4.6 million, RMB6.4 million and RMB7.7 million in aggregate were paid and granted by our Group to our Directors in respect of three years ended December 31, 2021, 2022 and 2023.
- (b) Under the arrangement currently in force, we estimate the total fixed remuneration (before tax) payable to Directors for the year ending December 31, 2024 will be approximately RMB14.3 million.

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- (c) No remuneration was paid to our Directors or the five highest-paid individuals as an inducement to join, or upon joining, our Group. During the Track Record Period, no compensation was paid to, or has been received by, our Directors, former Directors or the five highest-paid individuals for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.
- (d) Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

3. Disclosure of interests

- (a) *Interests and short positions of our Directors and chief executive in the share capital of our Company and its associated corporations following completion of the [REDACTED]*

Immediately following completion of the [REDACTED] (assuming that the [REDACTED] is not exercised), saved as (i) Ms. Wu Xia, our Executive Director who holds 116,667 shares in JIANGZHONG PHARMACEUTICAL CO., LTD (江中藥業股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600750)); (ii) Mr. Sun Yongqiang, our Non-executive Director who holds 70,000 shares in CR Beer, 30,000 shares in CR Land, 92,000 shares in China Resources Medical Holdings Company Limited (a company listed on the Stock Exchange (stock code: 1515)) and 50,000 shares in CR Mixc; and (3) Mr. Xiao Ning, our Non-executive Director who holds 1,000 shares in China Resources Boya Bio-pharmaceutical Group Co., Ltd. (華潤博雅生物製藥集團股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 300294)) and 76,555 shares in CR Chemical, none of our Directors or chief executives of our Company has any interest and/or short position in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions 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 as set out in Appendix C3 to the Listing Rules to be notified to our Company, once the Shares are [REDACTED].

- (b) *Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO*

For information on the persons who had and will have an interest and/or a short position in our Shares or the underlying shares of our Company which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions in Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, please refer to the section headed "Substantial Shareholders" in this document.

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Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [REDACTED], be interested, directly or indirectly, in 10% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

4. Disclaimers

Save as disclosed in this document:

- (a) none of the Directors or any experts named in the paragraph headed "D. Other Information — 4. Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors or any experts named in the paragraph headed "D. Other Information — 4. Consents of Experts" below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (c) none of our Directors or any of experts named in the paragraph headed "D. Other Information — 4. Consents of Experts" below has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (d) taking no account of any Shares which may be taken up under the [REDACTED], so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the [REDACTED], have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, 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 member of the Group;
- (e) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have 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 interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register

APPENDIX IV

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referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Hong Kong Stock Exchange once the Shares are [REDACTED] thereon; and

- (f) so far as is known to our Directors, none of our Directors, their respective close associates or our Shareholders who are interested in more than 5% of the share capital of our Group has any interests in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this document and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Hong Kong Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the Shares in issue, the Shares to be issued pursuant to the [REDACTED] (including any Shares which may fall to be issued pursuant to the exercise of the [REDACTED]).

As of the Latest Practicable Date, Maxwish Limited, an indirectly wholly owned subsidiary of Bank of China Limited (a member of the sponsor group as defined under the Listing Rules and a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3988) and the Shanghai Stock Exchange (stock code: 601988)), was the largest limited partner and held approximately 36.8% limited partnership interest in Plateau Consumer Fund, L.P., a Controlling Shareholder of our Company which in turn indirectly held 40% of the total issued share capital of our Company through Plateau it wholly owned. In addition, all the shares held by Plateau in our Company were subject to pledges granted in favour of certain bank consortium (including BOCHK, a subsidiary of Bank of China Limited), for the purpose of a loan provided by the bank consortium to Plateau. BOCHK also acted as security agent for the pledge above.

Accordingly, BOCI Asia Limited does not satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules on the ground that (i) the sponsor group indirectly held more than 5% of the total issued shares of our Company as contemplated under

APPENDIX IV STATUTORY AND GENERAL INFORMATION

Rule 3A.07(1) of the Listing Rules as of the Latest Practicable Date; and (ii) the sponsor group has a business relationship with Plateau (a Controlling Shareholder of our Company) falling under Rule 3A.07(9) of the Listing Rules.

Apart from BOCI Asia Limited, each of the other Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of HK\$2.35 million for acting as a sponsor for the [REDACTED].

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

| Name | Qualification |
|--|---|
| BOCI Asia Limited <i>(in alphabetical order)</i> | A licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO |
| CITIC Securities (Hong Kong) Limited <i>(in alphabetical order)</i> | A licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities under the SFO |
| Merrill Lynch (Asia Pacific) Limited <i>(in alphabetical order)</i> | A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of the regulated activities under the SFO |
| UBS Securities Hong Kong Limited <i>(in alphabetical order)</i> | A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO |
| Deloitte Touche Tohmatsu | Certified Public Accountants and Registered Public Interest Entity Auditor |

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| <u>Name</u> | <u>Qualification</u> |
|---|---|
| Jingtian & Gongcheng | Legal advisor as to PRC laws |
| Harney Westwood & Riegels | Legal advisor as to Cayman Islands laws |
| China Insights Industry Consultancy Limited | Industry consultant |

Save as disclosed above, as of the Latest Practicable Date, none of the experts named above has any legal or beneficial interest in our Shares or any shares of our subsidiaries or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary Expenses

The Company did not incur any material preliminary expenses.

8. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

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- (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.
- (b) There are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries.
- (c) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document within the two years immediately preceding the date of this document.
- (d) No equity or debt securities of any company within our Group is presently listed on any stock exchange or traded on any trading system nor is any listing or permission to deal being or proposed to be sought.
- (e) Our Company has no outstanding convertible debt securities or debentures.
- (f) There is no arrangement under which future dividends are waived or agreed to be waived.
- (g) There has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date this document.
- (h) There is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE ON DISPLAY

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, among other documents:

- (a) the written consents referred to under the paragraph headed “Statutory and General Information — D. Other Information — 4. Consents of experts” in Appendix IV to this document; and
- (b) a copy of the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this document.

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.crbeverage.com during a period of 14 days from the date of this document:

- (a) the Articles;
- (b) the Accountants’ Report of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
- (c) the report on the unaudited [**REDACTED**] financial information of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;
- (d) the audited combined financial statements of our Group for the three financial years ended December 31, 2023;
- (e) the legal opinion issued by Jingtian & Gongcheng, our legal advisor as to PRC laws, in respect of certain general corporate matters and property interests of the Group in the PRC;
- (f) the letter of advice prepared by Harney Westwood & Riegels, our legal advisor as to Cayman Islands laws, summarizing certain aspects of the Cayman Companies Act referred to in Appendix III to this document;
- (g) the Cayman Companies Act;
- (h) the report issued by China Insights Consultancy, the summary of which is set forth in the section headed “Industry Overview” in this document;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
IN HONG KONG AND AVAILABLE ON DISPLAY**

- (i) the written consents referred to under the paragraph headed “Statutory and General Information — D. Other Information — 4. Consents of Experts” in Appendix IV to this document;
- (j) the material contracts referred to in “Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts” in Appendix IV to this document; and
- (k) the service contracts with our Directors referred to in “Statutory and General Information — C. Further Information about our Directors — 1. Directors’ service contracts” in Appendix IV to this document.