奈雪的茶控股有限公司
NAYUKI HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2150

GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

J.P.Morgan

招銀国际 CMB INTERNATIONAL

华泰国际 HUATAI INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

海通國際 HAITONG

農銀國際 ABC INTERNATIONAL

Joint Lead Managers

交銀國際 BOCOM International

富途證券

IMPORTANT

If you have doubt about any of the contents in this Prospectus, you should obtain independent professional advice.

NAYUKI

Nayuki Holdings Limited
奈雪的茶控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	257,269,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares	:	25,727,000 Shares (subject to reallocation)
Number of International Offer Shares	:	231,542,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK$19.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal value	:	US$0.00005 per Share
Stock code	:	2150

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

J.P.Morgan 招銀国际 CMB INTERNATIONAL 华泰国际 HUATAI INTERNATIONAL

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交銀國際 BOCOM International 富途證券

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and available for inspection" in Appendix V to this Prospectus, 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 and the Registrar of Companies in Hong Kong take no responsibility for the contents of this Prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, June 23, 2021 and, in any event, not later than Tuesday, June 29, 2021.

The Offer Price will be not more than HK$19.80 and is currently expected to be not less than HK$17.20 unless otherwise announced. If, for any reason, the Offer Price is not agreed by Tuesday, June 29, 2021 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, please refer to the sections headed "Structure of the Global Offering" and "How to apply for Hong Kong Public Offer Shares" in this Prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" in this Prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in the section headed "Risk Factors" in this Prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged, or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) exception in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) solely to QIBs pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.naixuecha.com**). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

June 18, 2021

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.naixuecha.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Public Offer Shares, you may:

- apply online through the **White Form eIPO** service at **www.eipo.com.hk**;
- apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

1. instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf; or
2. (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center by completing an input request.

If you have any question about the application for the Hong Kong Public Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, both at +852 2862 8600 on the following dates:

Friday, June 18, 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Saturday, June 19, 2021	**–**	**9:00 a.m. to 6:00 p.m.**
Sunday, June 20, 2021	**–**	**9:00 a.m. to 6:00 p.m.**
Monday, June 21, 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Tuesday, June 22, 2021	**–**	**9:00 a.m. to 9:00 p.m.**
Wednesday, June 23, 2021	**–**	**9:00 a.m. to 12:00 noon**

We will not provide any physical channels to accept any application for the Hong Kong Public Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus for further details of the procedures through which you can apply for the Hong Kong Public Offer Shares electronically.

Your application must be for a minimum of 500 Hong Kong Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Public Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offer Shares applied for	Amount payable on application *HK$*
500	9,999.77	10,000	199,995.25	200,000	3,999,904.92	7,000,000	139,996,672.20
1,000	19,999.52	15,000	299,992.87	300,000	5,999,857.38	8,000,000	159,996,196.80
1,500	29,999.29	20,000	399,990.49	400,000	7,999,809.84	9,000,000	179,995,721.40
2,000	39,999.05	25,000	499,988.12	500,000	9,999,762.30	10,000,000	199,995,246.00
2,500	49,998.82	30,000	599,985.74	600,000	11,999,714.76	12,863,500(1)	257,263,884.70
3,000	59,998.57	35,000	699,983.36	700,000	13,999,667.22		
3,500	69,998.34	40,000	799,980.98	800,000	15,999,619.68		
4,000	79,998.10	45,000	899,978.61	900,000	17,999,572.14		
4,500	89,997.87	50,000	999,976.23	1,000,000	19,999,524.60		
5,000	99,997.62	60,000	1,199,971.48	2,000,000	39,999,049.20		
6,000	119,997.15	70,000	1,399,966.72	3,000,000	59,998,573.80		
7,000	139,996.67	80,000	1,599,961.97	4,000,000	79,998,098.40		
8,000	159,996.20	90,000	1,799,957.21	5,000,000	99,997,623.00		
9,000	179,995.72	100,000	1,999,952.46	6,000,000	119,997,147.60		

Note:

(1) Maximum number of Hong Kong Public Offer Shares you may apply for.

No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

Hong Kong Public Offering commences . . . . .9:00 a.m. on Friday, June 18, 2021

Latest time for completing electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**(2) . . . . .11:30 a.m. on Wednesday, June 23, 2021

Application lists open(3) . . . . .11:45 a.m. on Wednesday, June 23, 2021

Latest time for (a) completing payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC(4) . .12:00 noon on Wednesday, June 23, 2021

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close(3) .12:00 noon on Wednesday, June 23, 2021

Expected Price Determination Date(5) . . . . .Wednesday, June 23, 2021

Announcement of the Offer Price, the results of the applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering and the basis of allocation of the Hong Kong Public Offer Shares under the Hong Kong Public Offering to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our website at **www.naixuecha.com**(6) on or around . . . . .Tuesday, June 29, 2021

The results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be posted on our website at **www.naixuecha.com** and the website of the Stock Exchange at **www.hkexnews.hk** . . . . .Tuesday, June 29, 2021

- from the designated results of allocations website at at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . . . .8:00 a.m. on Tuesday, June 29, 2021 to 12:00 midnight on Monday, July 5, 2021

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on . . . . Tuesday, June 29, 2021, Wednesday, June 30, 2021, Friday, July 2, 2021 and Monday, July 5, 2021

Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before(7)(9) . . . . .Tuesday, June 29, 2021

White Form e-Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Public Offer Share initially paid on application (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before(8)(9) . . . . .Tuesday, June 29, 2021

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . .Wednesday, June 30, 2021

Notes:

(1) All dates and times refer to Hong Kong local dates and times, except as otherwise stated.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 23, 2021, the application lists will not open or close on that day. See "How to Apply for Hong Kong Public Offer Shares – C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists."

(4) Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to the section headed "How to Apply for Hong Kong Public Offer Shares – A. Applications for the Hong Kong Public Offer Shares – 6. Applying Through **CCASS EIPO** Service."

(5) The Price Determination Date is expected to be on or around Wednesday, June 23, 2021 and, in any event, not later than Tuesday, June 29, 2021. If, for any reason, we do not agree with the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the pricing of the Offer Shares by Tuesday, June 29, 2021, the Global Offering will not proceed and will lapse.

(6) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.

(7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

(8) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Public Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(9) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Public Offer Shares may collect any refund checks (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, June 29, 2021 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Public Offer Shares through **CCASS EIPO** service should refer to the section headed "How to Apply for Hong Kong Public Offer Shares – G. Dispatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Checks – Personal Collection – If you apply through **CCASS EIPO** service" for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Share certificates (if applicable) and/or refund checks for applicants who have applied for less than 1,000,000 Hong Kong Public Offer Shares and any uncollected Share certificates (if applicable) and/or refund checks will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Public Offer Shares – F. Refund of Application Monies" and "How to Apply for Hong Kong Public Offer Shares – G. Dispatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Checks" in this prospectus.

The above expected timetable is a summary only. For details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Public Offer Shares, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This Prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offering. This Prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Public Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this Prospectus in any jurisdiction other than Hong Kong. The distribution of this Prospectus for purposes of a public offering and the offering and sale of the Hong Kong Public Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this Prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this Prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not contained nor made in this Prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them or any other parties involved in the Global Offering.

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This summary aims to give you an overview of the information contained in this Prospectus. 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 read in conjunction with, the full text of this Prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors" in this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We operate *Nayuki* teahouses, a leading premium modern teahouse chain in China serving freshly-made tea drinks. According to CIC, *Nayuki* was the second largest teahouse brand in terms of total retail consumption value among China's premium modern teahouse market in 2020, with a market share of 18.9%, and was the seventh largest teahouse brand in terms of total retail consumption value among China's overall freshly-made tea shop industry in 2020, with a market share of 3.9%. Six years ago, our founders, inspired by Chinese tea culture and the global coffee chain concept, opened our first *Nayuki* teahouse in Shenzhen, China, with a desire to re-invigorate the tea-drinking experience for those who crave fresher, better tasting, and more accessible tea drinks. Today, our flagship brand, *Nayuki*, has become a recognized brand among China's young customers.

Premium modern teahouses emerged in recent years with a focus on offering freshly-made tea drinks with an average selling price of not lower than RMB20, and captivating tea-drinking experience normally associated with modern interior space for customers to socialize, which differentiate themselves from traditional teahouses and other freshly-made tea shops such as tea stands. Through our self-operated premium modern teahouses, we have created a comfortable, upscale social space for our customers and communities to get together and enjoy. Our tea drinks can also be conveniently enjoyed on-the-go to accommodate the increasingly rapid pace of everyday life. Our *Nayuki* teahouse network has experienced a rapid expansion, with the number of *Nayuki* teahouses growing from 44 as of December 31, 2017 to 491 as of December 31, 2020, which include 489 *Nayuki* teahouses covering 66 cities across mainland China and one *Nayuki* teahouse in each of Hong Kong SAR and Japan. According to CIC, *Nayuki* had the most extensive premium modern teahouse network in China in terms of the number of cities covered as of December 31, 2020. In terms of the number of stores as of December 31, 2020, *Nayuki* was also the second largest premium teahouse brand in China. In November 2020, we launched our new teahouse format, *Nayuki PRO*, with a goal to bring *Nayuki* closer to our customers' everyday life. With the debut of *Nayuki PRO*, we have successfully deployed an extensive network of *Nayuki* teahouses covering high-traffic locations such as premium premises in upscale shopping malls, office buildings and the centers of residential neighborhoods, thereby making our *Nayuki* products and experience more accessible by our customers, at their leisure or on their daily commute.

We are committed to product quality and innovation. According to CIC, we are the first in China to make freshly brewed tea drinks with fresh fruit and we have been promoting the concept of pairing freshly-made tea drinks with handcrafted freshly baked goods in China. Headed by our co-founder and General Manager, our product development team refines our menu with new items. This has led to a core *Nayuki* menu of over 25 varieties of classic tea drinks and over 25 varieties of baked goods as of the Latest Practicable Date. To keep our offerings fresh, we also continuously refine our core menu, with approximately one new drink launched every week on average and approximately 60 seasonal products introduced since 2018. Our tea drinks include fresh fruit teas, milk teas and pure teas-all freshly prepared using premium tea leaves and ingredients sourced from quality suppliers. We make most of our baked goods fresh within our teahouses every day to complement our tea drinks. In addition, we offer a wide selection of retail products, such as gift tea boxes, snacks and ready-to-drink tea beverages, catering to the diversified needs and preferences of our customers.

To make the *Nayuki* experience more convenient and personalized for our customers, we have introduced the *Nayuki* membership program and our *Nayuki* app, which are fully integrated with our *Nayuki* teahouse network. As of the Latest Practicable Date, we had approximately 35.3 million members registered with our *Nayuki* membership program. In 2020, approximately 49.0% of the total number of our *Nayuki* orders was contributed by our *Nayuki* members. Through our Weixin/WeChat and Alipay mini programs and *Nayuki* app, our customers can easily join our membership program, find the nearest *Nayuki* teahouse, and place delivery and pickup orders at their fingertips. In 2018, 2019 and 2020, approximately 4.4%, 12.5% and 22.9% of *Nayuki* orders, respectively, were delivery orders placed by our customers through our Weixin/WeChat and Alipay mini programs, *Nayuki* app and other third-party delivery platforms.

We have achieved strong operational and financial performance for our *Nayuki* teahouse network during the Track Record Period. Our *Nayuki* teahouse network grew rapidly from 44 as of December 31, 2017 to 491 as of December 31, 2020, and further to 562 as of the Latest Practicable Date. Revenues generated by our *Nayuki* teahouses increased from RMB909.5 million in 2018 to RMB2,291.5 million in 2019, and further to RMB2,870.9 million in 2020. Our profitability continued to improve throughout the Track Record Period, with adjusted net loss (non-IFRS measure) decreasing substantially from RMB56.6 million in 2018 to RMB11.7 million in 2019, and further turning to adjusted net profit (non-IFRS measure) of RMB16.6 million in 2020. Additionally, same store profit margin for *Nayuki* with respect to the same stores across 2018 and 2019 remained stable at 24.9% and 25.3% in 2018 and 2019, respectively. Due to the impact of the COVID-19 outbreak, same store profit margin for *Nayuki* with respect to the same stores across 2019 and 2020 was 13.5% in 2020, as compared to that of 21.0% in 2019.

OUR TEAHOUSE BRANDS

We mainly operate two teahouse brands–our flagship brand *Nayuki* and sub-brand *Tai Gai*. Historically, we also operated another immaterial sub-brand *Li Shan* with minimum revenues, inspired by paring pure Chinese tea with freshly-cut fruits. As of the Latest Practicable Date, we had decided to discontinue the operations of *Li Shan* and close the remaining two *Li Shan* teahouses.

We differentiate *Nayuki* and *Tai Gai* by offering diverse products and targeting different customer bases. For *Nayuki*, we focus on offering a broad array of freshly-made tea drinks and handcrafted baked goods, whereas for *Tai Gai*, we mainly offer a selection of classic milk tea and lemon tea drinks, inspired by our goal to bring the original taste and fragrance of tea to young customers in China. Unlike *Nayuki* which mainly attracts the rising affluent urban population with a wider age group, *Tai Gai* mainly focuses on the younger generation of customers, including students and young office workers who are generally more price sensitive. Therefore, we purposefully price our *Tai Gai* products at a relatively lower price range as compared to that of *Nayuki*. As of the Latest Practicable Date, the average list price for our *Tai Gai* products was approximately RMB16, compared to an average list price of RMB27 for the freshly-made tea drinks offered by *Nayuki*.

Compared with *Tai Gai*, we deploy a broader network of teahouses for *Nayuki*. As of December 31, 2020, we had 489 *Nayuki* teahouses covering 66 cities across mainland China, and had extended our footprint to Hong Kong SAR and Japan, with each having one *Nayuki* teahouse. In contrast, we had 64 *Tai Gai* teahouses in nine cities in mainland China as of December 31, 2020.

During the Track Record Period, we recorded higher average daily sales per teahouse for *Nayuki* as compared to *Tai Gai*. We recorded average daily sales per teahouse for *Nayuki* of RMB30.7 thousand, RMB27.7 thousand and RMB20.2 thousand in 2018, 2019 and 2020, respectively. For a detailed analysis of the performance of our *Nayuki* teahouses during the Track Record Period, see "Business – Our *Nayuki* Premium Modern Teahouses – Our *Nayuki* Teahouse Performance – Key Performance Indicators." Average daily sales per teahouse for *Tai Gai* experienced a decrease from RMB7,537 in 2018 to RMB6,387 in 2019, primarily due to the fluctuations in customer demands as we decided to strategically shift our resources away from driving *Tai Gai*'s growth in the short term. Average daily sales per teahouse for *Tai Gai* further decreased to RMB6,140 in 2020, primarily attributable to the impact of the COVID-19 outbreak. For details, see "Business – Our Sub-brand Teahouses – *Tai Gai*."

During the Track Record Period, our flagship *Nayuki* teahouses had generated a vast majority of our revenues from *Nayuki* teahouses and we expect *Nayuki* teahouses to continue to account for substantially all of our business operations in the near future. The following table sets forth a breakdown of our revenues for the years indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Nayuki	909,539	83.7	2,291,459	91.6	2,870,888	93.9
Tai Gai	155,741	14.3	185,207	7.4	152,981	5.0
Others(1)	21,546	2.0	24,844	1.0	33,312	1.1
Total	1,086,826	100.0	2,501,510	100.0	3,057,181	100.0

Note:

(1) including revenues derived from *Li Shan*, our headquarters and others. Revenues derived from our headquarters consist primarily of sales of gift tea boxes, seasonal gift sets and other gifts and retail products.

The following table sets forth our store-level operating profit by teahouse brand, in both absolute amounts and as a percentage of revenue, or operating margin, for the periods indicated. We define store-level operating profit as revenues deducting operational costs incurred at the store level under each teahouse brand, comprising costs of materials, staff costs, depreciation of right-of-use assets, other rentals and related expenses, depreciation and amortization of other assets, utilities expenses and delivery expenses. We believe that store-level operating profit is helpful for investors to understand the distinct business performance and profitability of our two different teahouse brands.

	For the year ended December 31,					
	2018		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Store-level Operating Profit						
Nayuki(1)	172,082	18.9	373,929	16.3	351,233	12.2
Tai Gai(2)	19,673	12.6	28,966	15.6	23,633	15.4

Notes:

(1) while other income, under which the income from the one-off output value-added tax exemption in 2020 was recorded, is not taken into consideration when calculating store-level operating profit, store-level operating profit for *Nayuki* in 2020 has taken account of the uncreditable input value-added tax of RMB155.0 million that was recognized as and allocated to costs and expenses of different nature.

(2) while other income, under which the income from the one-off output value-added tax exemption in 2020 was recorded, is not taken into consideration when calculating store-level operating profit, store-level operating profit for *Tai Gai* in 2020 has taken into account the uncreditable input value-added tax of RMB7.3 million that was recognized as and allocated to costs and expenses of different nature.

OUR FLAGSHIP PREMIUM MODERN TEAHOUSE BRAND – *NAYUKI*

Our *Nayuki* Products

Inspired by our goal to elevate the tea drinking culture and spread it to more customers, *Nayuki*'s menu focuses on freshly-made tea drinks and handcrafted baked goods, all made with premium ingredients. Our menu is carefully crafted with a range of classic and seasonal tea drinks and handcrafted baked goods that go well with the drinks. We have developed a list of classic and seasonal tea drinks, comprising three major product categories in fruit teas, milk teas and pure teas. Our in-store crew freshly makes every cup of *Nayuki* tea to ensure a bespoke experience, catering to customers' varying preferences-from customized sugar and ice content, from selection of cheese toppings to addition of other condiments.

Most of our products are freshly prepared within our *Nayuki* teahouses, including our baked goods. We have developed a fully standardized process for food preparation that ensures food safety and efficient preparation and serving process. In addition, we offer a wide selection of other products, such as gift tea boxes, snacks and ready-to-drink tea beverages, to further enrich our menu and cater to the diversified needs and preferences of our customers. For further details, see "Business – Our *Nayuki* Products."

The sales of our products typically peak during the period from May to August in a year when the weather is warm and summer vacations come. We also achieve higher purchaser orders from time to time during public holidays such as the National Holiday in China.

Our *Nayuki* Teahouse Network

We opened our first *Nayuki* premium modern teahouse in Shenzhen in November 2015, and have since been rapidly expanding our network across major cities in China. According to CIC, we had the most extensive premium modern teahouse network in China in terms of the number of cities covered as of December 31, 2020. As of December 31, 2020, we had 489 *Nayuki* teahouses covering 66 cities across mainland China, and had extended our footprint to Hong Kong SAR and Japan, with each having one *Nayuki* teahouse. The following table sets forth a breakdown of the number of our *Nayuki* teahouses by geographic location as of the dates indicated.

	As of December 31, 2018	As of December 31, 2019	As of December 31, 2020	As of the Latest Practicable Date
Number of *Nayuki* teahouses				
Tier 1 cities	87	138	170	194
New Tier 1 cities	58	119	170	194
Tier 2 cities	10	62	122	135
Other cities(1)	–	8	29	39
Total	155	327	491	562

Note:

(1) including cities (i) in other tiers of cities across mainland China, and (ii) outside mainland China comprising Hong Kong SAR and Osaka, Japan.

Our *Nayuki* teahouses currently come in two formats, namely (i) the regular *Nayuki* teahouses including those with diversified *Nayuki* concepts such as the *Nayuki Fantasy Factory*, *Nayuki's Gift* teahouses as well as *Nayuki's Bla Bla Bars*, and (ii) the *Nayuki PRO* teahouses. We launched our *Nayuki PRO* teahouses in November 2020 to achieve a broader customer reach, increase operational efficiency and cater to more diversified consumption scenarios and customer preferences, with a goal to make *Nayuki* ubiquitous to our customers' everyday life. For details of our *Nayuki PRO* teahouses, see "Business – Our *Nayuki* Premium Modern Teahouses – Our New *Nayuki* Teahouse Format – *Nayuki PRO*."

The following table sets forth the movement in the number of our *Nayuki* teahouses during the Track Record Period and up to the Latest Practicable Date.

	For the year ended December 31,			For the period from January 1, 2021 up to the Latest Practicable Date
	2018	**2019**	**2020**	
Number of *Nayuki* teahouses at the beginning of the period	44	155	327	491
Number of new *Nayuki* teahouses opened during the period	111	173	172	74
Number of *Nayuki* teahouses closed during the period	(0)	(1)	(8)	(3)
Number of *Nayuki* teahouses at the end of the period	155	327	491	562

We plan to open approximately 300 and 350 *Nayuki* teahouses in 2021 and 2022, respectively, primarily in Tier 1 cities and New Tier 1 cities, among which approximately 70% are planned to be *Nayuki PRO* teahouses. We expect the number of new *Nayuki* teahouses to be opened in 2023 to be at least the same as the number of new *Nayuki* teahouses we plan to open in 2022, subject to market conditions.

We do not own any property but instead lease the premises for our teahouses primarily from major property developers in China. Lease agreements for our teahouses typically have a term of three to five years. The following table sets forth a maturity profile of lease agreements for our teahouses as of the dates indicated.

	As of December 31,								
	2018			2019			2020		
	GFA	Outstanding lease liabilities	Number of lease agreements	GFA	Outstanding lease liabilities	Number of lease agreements	GFA	Outstanding lease liabilities	Number of lease agreements
Due within one year	4,148	167,409	28	5,591	291,700	56	9,678	364,733	80
Due after one year but within two years	5,099	170,154	52	9,078	294,341	73	9,325	357,207	65
Due after two years but within five years	35,412	390,161	195	67,440	630,600	306	85,350	604,320	373
Due after five years	9,284	35,332	36	11,711	36,974	44	14,474	30,466	66
Total	53,943	763,056	311	93,820	1,253,615	479	118,827	1,356,726	584

We believe there is no significant difficulty for us to renew our existing lease agreements that are subject to expiry on similar existing terms, based on the grounds that (i) generally we have the contractual and/or legal priority right of renewal with respect to all of our existing lease agreements, (ii) other than the cases in which we decided not to renew the existing lease agreements and subsequently closed the relevant teahouses due to relocation and other strategic and commercial considerations, all of our lease agreements subject to expiry had been timely renewed during the Track Record Period, and (iii) we believe our increasing brand reputation and broad geographic footprints have made us a preferred lessee and business partner for major property developers in China that may have established long-term, stable relationship with us nationwide. Nevertheless, we may not always be able to timely renew the relevant lease agreements on favorable terms, or at all. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Unexpected termination of leases, failure to renew the lease of our existing premises or to renew such leases at acceptable terms could materially and adversely affect our business."

For further details, see "Business – Our *Nayuki* Premium Modern Teahouses."

Our *Nayuki* Teahouse Performance

The following table sets forth certain key performance indicators of our *Nayuki* teahouses by geographic location during the Track Record Period.

	As of and for the year ended December 31,					
	2018		2019		2020	
	(RMB in millions)	%	*(RMB in millions)*	%	*(RMB in millions)*	%
Revenue						
Tier 1 cities	578.3	63.6	1,028.1	44.9	1,157.0	40.3
New Tier 1 cities	284.7	31.3	859.2	37.5	960.6	33.5
Tier 2 cities	46.5	5.1	379.2	16.5	617.0	21.5
Other cities[(1)]	–	–	25.0	1.1	136.3	4.7
Total	909.5	100.0	2,291.5	100.0	2,870.9	100.0
In-store cashier[(2)]	841.7	92.5	1,584.7	69.2	871.3	30.4
Weixin/WeChat and Alipay mini programs and *Nayuki* app[(3)]	–	–	310.2	13.5	1,183.2	41.2
Third-party delivery platforms[(4)]	67.8	7.5	396.6	17.3	816.4	28.4
Total	909.5	100.0	2,291.5	100.0	2,870.9	100.0
Delivery orders	67.8	7.5	396.8	17.3	916.1	31.9
Non-delivery orders	841.7	92.5	1,894.7	82.7	1,954.8	68.1
Total	909.5	100.0	2,291.5	100.0	2,870.9	100.0

	As of and for the year ended December 31,		
	2018	2019	2020
Average daily sales per teahouse (RMB in thousands)[(5)]			
Tier 1 cities	29.0	25.8	20.8
New Tier 1 cities	33.0	27.4	19.3
Tier 2 cities	46.3	34.3	19.5
Other cities[(1)]	–	37.3	26.4
Overall	30.7	27.7	20.2
Average orders per teahouse per day (#)[(6)]			
Tier 1 cities	694	608	471
New tier 1 cities	739	642	455
Tier 2 cities	949	754	470
Other cities[(1)]	–	785	604
Overall	716	642	470
Average sales value per order (RMB)[(7)]			
Tier 1 cities	41.7	42.5	44.2
New Tier 1 cities	44.6	42.7	42.5
Tier 2 cities	48.7	45.5	41.5
Other cities[(1)]	–	47.5	43.7
Overall	42.9	43.1	43.0

Notes:

(1) cities (i) in other tiers of cities across mainland China, and (ii) outside mainland China comprising Hong Kong SAR and Osaka, Japan.

(2) representing revenues derived from customer orders placed on-site in our *Nayuki* teahouses, excluding those placed through our Weixin/WeChat and Alipay mini programs and *Nayuki* app.

(3) representing revenues derived from customer orders placed through our Weixin/WeChat and Alipay mini programs and *Nayuki* app, regardless of such orders were placed remotely or on-site in our *Nayuki* teahouses.

(4) representing revenues derived from delivery orders placed through third-party delivery platforms.

(5) calculated by dividing the revenues generated from the relevant *Nayuki* teahouses for a particular period by the aggregate number of days of operation of such *Nayuki* teahouses during the same period.

(6) calculated by dividing the aggregate number of orders placed by customers with the relevant *Nayuki* teahouses for a particular period by the aggregate number of days of operation of such *Nayuki* teahouses during the same period.

(7) calculated by dividing the revenues generated from the relevant *Nayuki* teahouses for a particular period by the aggregate number of orders placed by customers with such *Nayuki* teahouses during the same period.

The following table sets forth average daily sales per teahouse of our *Nayuki* teahouses by year of opening during the Track Record Period.

	For the year ended December 31,		
	2018	**2019**	**2020**
		(RMB in thousands)	
Average daily sales per teahouse[1]			
Nayuki teahouses opened before 2018	33.4	31.7	25.8
Nayuki teahouses opened in 2018	27.6	27.0	22.2
Nayuki teahouses opened in 2019	–	26.3	18.8
Nayuki teahouses opened in 2020	–	–	17.3
Overall	30.7	27.7	20.2

Note:

(1) calculated by dividing the revenues generated from the relevant *Nayuki* teahouses for a particular period by the aggregate number of days of operation of such *Nayuki* teahouses during the same period.

The following table sets forth the details of our same store sales and same store profit for our *Nayuki* teahouses during the Track Record Period, two important metrics that our management tracks in evaluating our teahouse network's performance. We define our same stores to be those *Nayuki* teahouses that opened for at least 300 days in both 2018 and 2019, or in both 2019 and 2020, as the case may be.

	For the year ended December 31,		For the year ended December 31,	
	2018	**2019**	**2019**	**2020**
Number of same stores (#)				
Tier 1 cities	40		90	
New Tier 1 cities	9		56	
Tier 2 cities	–[5]		13	
Other cities[1]	–[5]		–[5]	
Total	49		159	

	For the year ended December 31,		For the year ended December 31,	
	2018	2019	2019	2020
Same store sales[(2)] (RMB in million)				
Tier 1 cities	454.5	438.8	886.8	742.7
New Tier 1 cities	128.5	120.7	590.6	446.5
Tier 2 cities	–[(5)]	–[(5)]	188.9	119.3
Other cities[(1)]	–[(5)]	–[(5)]	–[(5)]	–[(5)]
Total	583.0	559.5	1,666.3	1,308.5
Same store profit[(3)] (RMB in millions)				
Tier 1 cities	110.0	110.0	167.3	93.0
New Tier 1 cities	35.3	31.4	127.0	61.1
Tier 2 cities	–[(5)]	–[(5)]	55.4	22.7
Other cities[(1)]	–[(5)]	–[(5)]	–[(5)]	–[(5)]
Total	145.3	141.4	349.7	176.8
Same store profit margin[(4)] (%)				
Tier 1 cities	24.2%	25.1%	18.9%	12.5%
New Tier 1 cities	27.5%	26.0%	21.5%	13.7%
Tier 2 cities	–[(5)]	–[(5)]	29.3%	19.0%
Other cities[(1)]	–[(5)]	–[(5)]	–[(5)]	–[(5)]
Total	24.9%	25.3%	21.0%	13.5%

Notes:

(1) cities (i) in other tiers of cities across mainland China, and (ii) outside mainland China comprising Hong Kong SAR and Osaka, Japan.

(2) representing the revenue of all *Nayuki* teahouses that qualify as same stores during such year/period.

(3) representing same store sales minus operational costs incurred at such same stores level, comprising costs of materials, staff costs, depreciation of right-of-use assets, other rentals and related expenses, depreciation and amortization of other assets, utilities expenses and delivery expenses.

(4) calculated by dividing same store profit by same store sales.

(5) given there is no qualified same store over the relevant periods due to limited number of days of operation, statistics of sames store sales, same store profit or same store profit margin for the respective periods are not available.

During the Track Record Period, our average daily sales per teahouse and same store sales for *Nayuki* decreased over the periods, primarily attributable to: (a) initial brand and new store effects when *Nayuki* taps into a new market/city, followed by a normalizing growth trajectory, and (b) widely dispersed customer visits and orders as a result of continuous teahouse network expansion. As a result, when a new *Nayuki* teahouse commences operation in a new market, it typically attracts customer traffic both within and outside of its local community or neighborhood. As the number of teahouses within the particular market continues to grow, customer traffic and sales volume of that *Nayuki* teahouse return to a normalized level that generally matches the population density of the area that the particular *Nayuki* teahouse was originally expected to cater to.

Nonetheless, our same store profit margin for *Nayuki* remained strong during the Track Record Period. With respect to our same stores across 2018 and 2019, same store profit margin for *Nayuki* remained stable at 24.9% and 25.3% in 2018 and 2019, respectively. With respect to our same stores across 2019 and 2020, same store profit margin for *Nayuki* temporarily dropped from 21.0% in 2019 to 13.5% in 2020 due to the impact of the COVID-19 outbreak. Nevertheless, same store profit margin for *Nayuki* of such same stores returned to 17.3% in the second half of 2020, representing a steady post-pandemic recovery.

In addition, we have longer operating history and more established presence in Tier 1 cities in China, as compared to other cities where we are still rapidly scaling our business. As we have fewer *Nayuki* teahouses in other cities outside of Tier 1 cities in China, the customer orders received by such teahouses typically are comparatively more concentrated due to the same reasons outlined above. As our presence varies from city to city, depending on the time we entered into a particular city as well as our growth strategy in such city, among others, the performance of our overall average daily sales per teahouse eventually hinges upon the city mix within our teahouse network.

For a detailed analysis of the operating performance of our *Nayuki* teahouses, see "Business – Our *Nayuki* Premium Modern Teahouses – Our *Nayuki* Teahouse Performance."

COMPETITIVE LANDSCAPE

The premium modern teahouse industry in China is relatively concentrated in a small group of leading players with strong brand awareness, with the top five large players in aggregate accounting for approximately 58% of the market share in terms of total retail consumption of all products in 2020. The largest player in China's premium modern teahouse industry enjoyed a market share of approximately 27.7%, and our flagship brand *Nayuki* ranked the second with a market share of approximately 18.9%. Each of the rest of the top five players accounted for a market share of approximately 4.0%.

As the leading players continue to increase their market shares, we are faced with increasingly intense competition with other leading players in various aspects of our business, including product innovation, product quality, customer experience as well as customer acquisition and retention. Since the largest player currently enjoys a more established market position than us, we may fail to effectively compete against, or may be out-competed by it. For additional information, see "Industry Overview," and "Risk Factors – Risks Relating to Our Business and Industry – We are faced with increasingly intense competition with the largest player within China's premium modern teahouse industry."

SUPPLY CHAIN MANAGEMENT

We believe that maintaining the high quality of our products depends largely on our ability to acquire the best available ingredients and other necessary supplies from reliable suppliers. We primarily procure (i) ingredients used in our tea drinks and baked goods such as tea leaves, fresh dairy products, fresh fruits and juices, and (ii) packaging materials and consumables such as tea cups and paper bags.

We maintain a list of qualified suppliers of tea leaves, fresh dairy products, fresh fruits and other ingredients and materials necessary for the making of our products. In 2020, we partnered with over 250 reputable raw materials suppliers, among which we had an average of more than two years of collaboration with the top ten suppliers. For the years ended December 31, 2018, 2019 and 2020, purchases from our five largest suppliers accounted for 28.0%, 23.8% and 23.8%, respectively, of our total purchases during those periods.

For details, see "Business – Supply Chain Management."

OUR COMPETITIVE STRENGTHS

We believe the following competitive advantages have contributed to our success and will help drive our growth in the future:

- A leading premium modern teahouse brand that reshapes the tea drinking experience;
- Track record of quality expansion with strong performance;
- Compelling product offerings powered by stringent quality control, deep customer insights and effective supply chain management;
- Technology capabilities driving operational efficiency; and
- Experienced founders supported by experienced senior management and a deep talent pool.

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

OUR GROWTH STRATEGIES

To achieve our mission and further solidify our leadership, we intend to pursue the following growth strategies:

- Strengthen leadership in existing markets and expand footprint in new markets;
- Further improve overall operations through enhancing our technology capabilities;
- Strengthen supply chain capabilities;
- Enhance customer engagement to forge lasting connections; and
- Introduce new hit products, expand product offerings and channel presence to unlock *Nayuki*'s brand potentials.

For further details, see "Business – Our Growth Strategies."

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in "Risk Factors" in this Prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include the following:

- We have incurred net losses in the past, and we may continue to experience significant net losses in the future.
- Our business is highly dependent on the customer acceptance of freshly-made tea drinks and we may not be able to respond to the market trends and adapt to customer preferences.
- Growth of our business will partially depend on the recognition of our brands, and any failure to maintain, protect and enhance our brands, including any negative publicity, would limit our ability to expand or retain our customer base, which would materially and adversely affect our business, financial condition and results of operations.
- If we are unable to successfully manage our rapid growth, our business and prospects may be materially and adversely affected.
- We may not be successful in operating our teahouses effectively.
- From time to time we may develop new products, brands and store formats, evaluate and potentially explore new business opportunities, and consummate strategic investments or acquisitions, which may turn out to be not successful and adversely affect our operation and financial results.

- Our limited operating history may not be indicative of our future growth or financial results and we may not be able to sustain our historical growth rates.

- We operate in the highly competitive and rapidly evolving freshly-made tea shop market in China and we face intense competition. Our products are not proprietary and we are unable to prevent competitors from copying the recipes of our products.

- We are faced with increasingly intense competition with the largest player within China's premium modern teahouse industry.

- If we fail to acquire new customers or retain existing customers in a cost-effective manner, our business, financial condition and results of operations may be materially and adversely affected.

- Unexpected termination of leases, failure to renew the lease of our existing premises or to renew such leases at acceptable terms could materially and adversely affect our business.

CONTROLLING SHAREHOLDERS

Each of Mr. Zhao, Ms. Peng, Linxin Group, Linxin International, Linxin Holdings, Forth Wisdom Limited and Crystal Tide Profits Limited is a Controlling Shareholder of the Company. Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, Mr. Zhao and Ms. Peng, through (i) Linxin Group (an investment holding company wholly-owned by Linxin International, which is in turn wholly-owned by Linxin Trust, an irrevocable discretionary trust established in Guernsey on December 30, 2020 and the beneficiary of which is Linxin Holdings, a holding company ultimately owned as to 50% by Ms. Peng and 50% by Mr. Zhao, respectively); (ii) Forth Wisdom Limited (our Company's offshore employee incentive platform for the Equity Incentive Plans), the voting rights held by which were exercised jointly by Mr. Zhao and Ms. Peng; and (iii) Crystal Tide Profits Limited (a platform holding Shares for future benefit to employees, advisors and consultants as the Board deems fit), the voting rights held by which were exercised by Ms. Peng, will be able to exercise in aggregate approximately 64.05% of the voting rights in our Company. See "Relationship with the Controlling Shareholders" for further details.

OUR PRE-IPO INVESTORS

Since the establishment of our Company, we have secured Pre-IPO financing from the Tiantu Entities, the SCGC Entities, HLC, Forever Highness International and PAGAC Nebula. For further details of the identity and background of the Pre-IPO Investors, and the principal terms of the Pre-IPO Investments, see "History, Reorganization and Corporate Structure – Pre-IPO Investments."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our combined financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I. The summary of combined financial data set forth below should be read together with, and is qualified in its entirety by reference to, the combined financial statements in this Prospectus, including the related notes. Our combined financial information has been prepared in accordance with IFRS.

Summary of Combined Statements of Profit or Loss

	For the year ended December 31,					
	2018		**2019**		**2020**	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Revenues	1,086,826	100.0	2,501,510	100.0	3,057,181	100.0
Other income	2,526	0.2	5,604	0.2	205,951	6.7
Cost of materials	(383,950)	(35.3)	(915,653)	(36.6)	(1,159,322)	(37.9)
Staff costs	(340,205)	(31.3)	(750,724)	(30.0)	(919,096)	(30.1)
Depreciation of right-of-use assets	(120,353)	(11.1)	(261,417)	(10.5)	(352,912)	(11.5)
Other rentals and related expenses	(73,216)	(6.7)	(127,379)	(5.1)	(100,568)	(3.3)
Depreciation and amortisation of other assets	(39,847)	(3.7)	(92,534)	(3.7)	(154,117)	(5.0)
Advertising and promotion expenses	(39,384)	(3.6)	(67,484)	(2.7)	(82,172)	(2.7)
Delivery service fees	(10,796)	(1.0)	(64,435)	(2.6)	(167,369)	(5.5)
Utilities expenses	(23,632)	(2.2)	(51,659)	(2.1)	(66,909)	(2.2)
Logistic and storage fees	(12,039)	(1.1)	(39,891)	(1.6)	(56,710)	(1.9)
Other expenses	(44,544)	(4.1)	(80,267)	(3.2)	(123,655)	(4.0)
Other net losses	(2,617)	(0.2)	(2,176)	(0.1)	(7,382)	(0.2)
Finance costs	(46,160)	(4.2)	(96,185)	(3.8)	(130,258)	(4.3)
Fair value changes of financial liabilities at fair value through profit or loss	–	–	–	–	(132,757)	(4.3)
Loss before taxation	(47,391)	(4.4)	(42,690)	(1.7)	(190,095)	(6.2)
Income tax	(22,338)	(2.1)	3,010	0.1	(13,207)	(0.4)
Loss for the year	(69,729)	(6.4)	(39,680)	(1.6)	(203,302)	(6.6)
Attributable to:						
Equity shareholders of the Company	(66,003)	(6.1)	(38,550)	(1.5)	(201,872)	(6.6)
Non-controlling interests	(3,726)	(0.3)	(1,130)	(0.1)	(1,430)	0.0
Loss for the year	(69,729)	(6.4)	(39,680)	(1.6)	(203,302)	(6.6)

Non-IFRS Measure

To supplement our combined financial statements that are presented in accordance with IFRS, we also use adjusted net (loss)/profit (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management does not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it helps our management. However, our presentation of adjusted net (loss)/profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

Adjusted Net (Loss)/Profit (Non-IFRS Measure)

We define adjusted net (loss)/profit (non-IFRS measure) as net loss for the period adjusted by adding back fair value changes of financial liabilities at fair value through profit or loss, listing expenses, equity-settled share-based payment expenses, interest on redeemable capital contribution, income from output value-added tax exemption and uncreditable input value-added tax. The following table reconciles our adjusted net (loss)/profit (Non-IFRS measure) for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net loss for the periods.

	For the year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Reconciliation of net loss and adjusted net (loss)/profit (non-IFRS measure)			
Net loss for the year	(69,729)	(39,680)	(203,302)
Add:			
Fair value changes of financial liabilities at fair value through profit or loss[1]	–	–	132,757
Listing expenses[2]	–	–	11,410
Equity-settled share-based payment expenses[3]	–	–	45,458
Interest on redeemable capital contributions[4]	13,149	27,945	38,249

	For the year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Income from output value-added tax exemption(5)	–	–	(180,342)
Uncreditable input value-added tax(6)	–	–	172,413
Adjusted net (loss)/profit (non-IFRS measure)	(56,580)	(11,735)	16,643
Adjusted net (loss)/profit margin (non-IFRS measure)(7)	(5.2)%	(0.5)%	0.5%

Notes:

1. Fair value changes of financial liabilities at fair value through profit or loss represent the gains or losses arising from change in fair value of our warrants, onshore loans and convertible note with conversion rights in connection with the Series B-2 investments. Such changes are one-off and non-cash in nature and are not directly related to our operating activities.

2. Listing expenses relate to this Global Offering of the Company, which is one-off in nature and is not directly related to our operating activities.

3. Equity-settled share-based payment expenses consist of (i) share options and RSUs granted in 2020 under the 2020 Share Incentive Plan, and (ii) difference in fair value of ordinary shares and preferred shares arising from the re-designation of ordinary shares held by our Controlling Shareholders to preferred shares by our Company. For (i), it is adjusted for as these items are non-cash and non-operational in nature; and for (ii), it is adjusted for as the transaction is irregular to the operation of the business. In addition, both (i) and (ii) are not directly correlate with our business performance in a given year.

4. Interest on redeemable capital contribution represents interest on our Series A, Series A+ and Series B-1 investments. Although we recorded interest on redeemable capital contribution in each year throughout the Track Record Period, the underlying Pre-IPO Investments nonetheless are non-recurring in nature. Upon completion of the Global Offering, the redeemable capital contribution in connection with such Pre-IPO Investments would be converted into equity of the Company and subsequently no interest would accrue. In addition, the interest on redeemable capital contribution is a non-cash and non-operational item, which is not directly correlate with our business performance in a particular year.

5. Income from output value-added tax exemption represents the income from the one-off preferential output value-added tax exemption that local governments granted to ease the impact of the COVID-19 outbreak. This output value-added tax exemption policy had expired as of the Latest Practicable Date and we will no longer benefited from such tax exemption going forward.

6. Uncreditable input value-added tax represents the amount of the corresponding input value-added tax that was left uncreditable as a result of the one-off output value-added tax exemption in 2020. This output value-added tax exemption policy had expired as of the Latest Practicable Date and we will no longer benefited from such tax exemption going forward.

7. Calculated using adjusted net (loss)/profit (non-IFRS measure) divided by revenues for a given period.

We incurred net losses throughout the Track Record Period primarily because we continued to rapidly ramp up our business scale and expand our teahouse network. Our net loss amounted to RMB69.7 million, RMB39.7 million and RMB203.3 million in 2018, 2019 and 2020, respectively. The increase in net loss from 2019 to 2020 was also attributable to the recognition of fair value changes of financial liabilities at fair value through profit or loss of RMB132.8 million, which represent the losses arising from change in fair value of our warrants, onshore loans and convertible note with conversion rights in connection with the Series B-2 investments.

To ease the impact of the COVID-19 outbreak, the Ministry of Finance and the SAT of the PRC jointly promulgated in February 2020 the Announcement on Tax Policies in Support of Prevention of the COVID-19 (關於支持新型冠狀病毒感染的肺炎疫情防控有關稅收政策的公告), pursuant to which enterprises that provide services and supports for daily living like us are entitled to the output value-added tax exemption since January 1, 2020. According to the Notice on Accounting Treatment of Value-Added Tax (增值稅會計處理規定) (Cai Kuai [2016] No.22) issued by the Ministry of Finance, enterprises shall exclude the amount of output value-added tax collected from sales when recording revenue. Therefore, if any output value-added tax is directly exempted from remittance during a reporting period by the relevant governmental authorities, the withheld amount should be credited to relevant income statement accounts. Under the same notice, if the goods purchased, which include input value-added tax, are used in production for items that are entitled to value-added tax exemption and the input value-added tax incurred in the procurement is not allowed to be deducted from the output value-added tax, the input value-added tax shall be debited to the corresponding costs, expenses or assets accounts.

Accordingly, we benefited from such preferential tax policies and recorded non-recurring income of RMB180.3 million from output value-added tax exemption granted by local governments in 2020. Nonetheless, we, at the same time, also recorded (i) cost of materials of RMB145.3 million, and (ii) operating expenses of approximately RMB27.1 million allocated to expenses of different natures, because the corresponding input value-added tax that we had already paid was left uncreditable upon such output value-added tax exemption. As a result, we only benefited by a net amount of RMB7.9 million from the one-off output value-added tax exemption in 2020. Had we not benefited from the preferential output value-added tax exemption, we would not record such costs or expenses incurred in connection with the corresponding uncreditable input value-added tax. This output value-added tax exemption policy had expired as of the Latest Practicable Date and we have no longer benefited from such tax exemption since January 1, 2021.

We incurred significant adjusted net losses (non-IFRS measure) in 2018 and 2019, primarily because historically we made substantial initial investments to drive rapid growth of our teahouse network, enhance brand awareness and lay a solid foundation at headquarters to support our future expansion, which we believe are indispensable to establish compelling competitive advantages and capitalize on attractive market opportunities for our long-term profitable growth. Our adjusted net loss (non-IFRS measure) was RMB56.6 million and RMB11.7 million in 2018 and 2019, respectively. Nevertheless, our profitability improved from adjusted net loss (Non-IFRS measure) of RMB56.6 million in 2018 to that of RMB11.7 million in 2019. In addition, despite the impact of the COVID-19 outbreak on our business operations, we managed to achieve adjusted net profit (non-IFRS measure) of RMB16.6 million in 2020. Such improvements in our overall profitability reflected our improved operational efficiency at the headquarters level, primarily due to significant economies of scale as we continued to rapidly expand our business during the Track Record Period. For details, see "Financial Information – Non-IFRS Measure."

Revenue Breakdown

The following table sets forth a breakdown of our revenues by product type, in absolute amounts and as percentage of total revenues, for the years indicated:

	For the year ended December 31,					
	2018		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Freshly-made tea drinks	790,944	72.8	1,824,177	72.9	2,322,849	76.0
Baked goods	266,295	24.5	632,808	25.3	667,384	21.8
Other products[(1)]	29,587	2.7	44,525	1.8	66,948	2.2
Total	1,086,826	100.0	2,501,510	100.0	3,057,181	100.0

Note:

(1) primarily including gifts and retail products, such as gift tea boxes, snacks and seasonal gift sets.

Summary of Combined Statements of Financial Position

	As of December 31,		
	2018	2019	2020
	(RMB in thousands)		
Total non-current assets	1,058,585	1,756,052	1,984,191
Total current assets	284,708	295,096	1,329,918
Total assets	1,343,293	2,051,148	3,314,109
Total non-current liabilities	(603,405)	(974,180)	(1,010,335)
Total current liabilities	(849,671)	(1,226,434)	(2,728,191)
Total liabilities	(1,453,076)	(2,200,614)	(3,738,526)
Net current liabilities	(564,963)	(931,338)	(1,398,273)
Net liabilities	(109,783)	(149,466)	(424,417)
Share capital	100	100	422
Reserves	(107,356)	(146,258)	(424,839)
Non-controlling interests	(2,527)	(3,308)	–
Total deficit	(109,783)	(149,466)	(424,417)

We recorded net liabilities during the Track Record Period, which amounted to RMB109.8 million, RMB149.5 million and RMB424.4 million as of December 31, 2018, 2019 and 2020, respectively. Our net liabilities position as of each of these dates was primarily due to non-operational impact of our redeemable capital contribution, warrants, onshore loans, convertible note and convertible redeemable preferred shares in connection with our Series A, Series A+, Series B-1, Series B-2 and Series C investments. Once such redeemable capital contribution, warrants, onshore loans, convertible note and convertible redeemable preferred shares are converted into equity upon the Listing, our Group will return to a net assets position.

We had net current liabilities of RMB565.0 million, RMB931.3 million, RMB1,398.3 million and RMB2,499.9 million as of December 31, 2018, 2019 and 2020 and April 30, 2021. In addition to the non-operational impact of our redeemable capital contribution, warrants, onshore loans, convertible note and convertible redeemable preferred shares as mentioned above, our net current liabilities position as of each of these dates was also because (i) we elected to adopt IFRS 16 throughout the Track Record Period retrospectively, which led to a significant balance of current lease liabilities as of December 31, 2018 and 2019, December 31, 2020 and April 30, 2021, and (ii) substantially all of our non-current assets, including right-of-use assets and property and equipment, were acquired using current liabilities during the Track Record Period. For details of the impact of the application of IFRS 16 on the key items in the Group's combined statements of financial position as of December 31, 2018 and 2019, and December 31, 2020, and in the Group's combined statements of profit or loss and combined cash flow statements during the Track Record Period, see "Financial Information – Basis of Presentation."

Notwithstanding the above, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this Prospectus, taking into account growing cash generated from operating activities, secured financing from our banking facilities, the investments from our Pre-IPO investors and the estimated net proceeds we expect to receive from this Global Offering, and also considering that the redemption and conversion rights of the above-mentioned redeemable capital contribution, warrants, onshore loans, convertible note and convertible redeemable preferred shares in connection with our Series A, Series A+, Series B-1, Series B-2 and Series C investments would be converted into equity upon the Listing.

In addition, we seek to improve our liquidity and net current liabilities as well as ensure our working capital sufficiency going forward by driving our operating cash flow through our expanding teahouse network. During the Track Record Period, our net cash generated from operating activities continued to grow from RMB200.8 million in 2018 to RMB415.9 million in 2019, and further to RMB574.3 million in 2020, which was primarily attributable to a growing number of *Nayuki* teahouses within our network. We expect our operating cash flow to further improve as a result of (i) the rapid growth of business scale, and (ii) our continued efforts to improve overall profitability at both store and headquarters levels, which we believe would help improve our liquidity and net current liabilities position.

Summary of Combined Statements of Cash Flow

	For the year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Net cash generated from operating activities	200,789	415,854	574,345
Net cash used in investing activities	(209,305)	(291,085)	(243,855)
Net cash generated from/(used in) financing activities	180,952	(228,916)	91,923
Net increase/(decrease) in cash and cash equivalents	172,436	(104,147)	422,413
Cash and cash equivalents at the beginning of the year	13,352	185,788	81,296
Effect of foreign exchange rate changes	–	(345)	(1,956)
Cash and cash equivalent at the end of the year	185,788	81,296	501,753

Key Financial Ratios

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

	For the year ended/As of December 31,		
	2018	2019	2020
Revenue growth	N/A	130.2%	22.2%
Adjusted net (loss)/profit margin (non-IFRS measure)(1)	(5.2)%	(0.5)%	0.5%
Current ratio(2)	0.34	0.24	0.49
Quick ratio(3)	0.29	0.18	0.45

Notes:

(1) Calculated using non-IFRS adjusted net (loss)/profit (Non-IFRS measure) divided by revenues for a given period.

(2) Calculated using current assets divided by current liabilities at the end of year.

(3) Calculated using current assets less inventories and divided by current liabilities at the end of year.

PATH TO PROFITABILITY

Our overall profitability improved during the Track Record Period, with adjusted net loss (non-IFRS measure) decreasing from RMB56.6 million in 2018 to RMB11.7 million in 2019, and further turning to adjusted net profit (non-IFRS measure) of RMB16.6 million in 2020, despite the impact of the COVID-19 outbreak on our business operations during the first half of 2020. In addition, our net cash generated from operating activities continued to grow from RMB200.8 million in 2018 to RMB415.9 million in 2019, and further to RMB574.3 million in 2020. As of April 30, 2021, we had cash and cash equivalents of RMB685.6 million.

Notwithstanding the above, we incurred net loss in 2020. Furthermore, our business growth and long-term profitability are subject to a variety of factors that may be out of our control, including continuing popularity of freshly-made tea drinks in China, increasingly intense competition within our industry and our overall teahouses' performance. In particular, consistent with other comparable leading premium teahouse brands within our industry, we have observed a normalizing growth trajectory that is generally manifest amongst our *Nayuki* teahouses in a market. In line with such normalizing growth trajectory, certain key performance indicators, such as average daily sales per teahouse and same store sales, of our *Nayuki* teahouses had decreased over time during the Track Record Period. For details, see "Business – Our *Nayuki* Premium Modern Teahouses – Our *Nayuki* Teahouse Performance," "Risk Factors – Risks Relating to Our Business and Industry – Our business is highly dependent on the customer acceptance of freshly-made tea drinks and we may not be able to respond to the market trends and adapt to customer preferences," and "Risk Factors – Risks Relating to Our Business and Industry – We operate in a highly competitive and rapidly evolving market in China and we face intense competition. Our products are not proprietary and we are unable to prevent competitors from copying the recipes of our products."

We expect to further improve our financial performance and achieve profitability in the near future through continuous revenue growth and improved cost efficiency. Specifically, we seek to drive continuous overall revenue growth by way of rapid teahouse network expansion in order to achieve sustainable profitability at scale in the long term. However, as we continue to grow the number of our teahouses, our store-level operating profit margin may experience declines if we are unable to effectively manage costs and expenses incurred at the store level to the extent that our profitability level at the store level increases or remains stable despite potential fluctuations of sales generated from our teahouses.

On the other hand, as we continue to scale our business, we believe we will enjoy improved economies of scale by (i) continuing to reduce costs and expenses incurred at the store level as a percentage of revenue, and (ii) reducing the costs and expenses incurred at the headquarters level that are proportionately allocated to each teahouse, thereby lowering the breakeven point to achieve overall profitability. As we continued to grow our teahouse network, daily breakeven revenue per *Nayuki* teahouses continued to decreased from RMB35.3 thousand in 2018 to RMB28.2 thousand in 2019, and further to RMB20.4 thousand in 2020. Likewise, daily breakeven operating profit per *Nayuki* teahouse continued to decline from RMB7.8 thousand in 2018 to RMB4.7 thousand in 2019, and further to RMB3.6 thousand in

2020. Such breakeven revenue or operating profit per *Nayuki* teahouse primarily represents the minimum revenue or profit requirement for each *Nayuki* teahouse to (i) cover its own store-level operating costs and expenses, and (ii) share the costs and expenses incurred at the headquarters level that are proportionately allocated to each *Nayuki* teahouse, in order to achieve breakeven for our entire Group. For a detailed path to profitability analysis, see "Financial Information – Path to Profitability."

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we had certain non-compliance incidents with respect to (i) fire safety and (ii) social insurance and housing provident funds. For details, see "Business – Licenses, Regulatory Approvals and Compliance." Our Directors, as advised by our PRC Legal Advisor, confirm that except as disclosed thereunder in this Prospectus, we had complied with the relevant PRC laws and regulation in all material respects and had obtained all requisite licenses, approvals and permits from relevant authorities in China except those would not have a material adverse effect on our operations during the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENT

New Wave of COVID-19 Outbreak in Guangzhou

Since late May 2021, a new wave of COVID-19 outbreak has hit Guangzhou, China, with daily single figures of local confirmed cases on average being reported in June 2021 up to the Latest Practicable Date. To curb the spread of COVID-19 cases, local governmental authorities in Guangzhou have imposed various restrictions on business and social activity, including temporarily banning dine-in services in restaurants in certain districts of Guangzhou. Accordingly, substantially all of our 29 *Nayuki* teahouses located in Guangzhou as of the Latest Practicable Date have temporarily switched to a "delivery/pick-up only" operating model in line with the government guidelines, and a number of these *Nayuki* teahouses are currently operating with reduced business hours.

Having considered that (i) the Chinese government has put into significant resources and efforts to contain the pandemic in Guangzhou, including imposing travel restrictions and stepping up mass testing, and (ii) as of the Latest Practicable Date, the number of *Nayuki* teahouses in Guangzhou accounted for approximately 5% of the total number of *Nayuki* teahouses, the Directors believe this new wave of COVID-19 outbreak in Guangzhou is unlikely to have a material adverse impact on the business, results of operations and financial condition of our Group as a whole in the long term. As a result, we did not plan to permanently shut down any of our existing *Nayuki* teahouses in Guangzhou as of the Latest Practicable Date. Nevertheless, the extent to which our business operations would be impacted by this new wave of COVID-19 outbreak in Guangzhou largely depends on how the situation evolves, which remains highly uncertain and cannot be accurately predicted. For details, see "Risk Factors – Risks Relating to Our Business and Industry – Our business operations have been adversely affected by the COVID-19 outbreak, and may in the future continue to be affected by the COVID-19 outbreak."

Selected Results of Operation for the Three Months Ended March 31, 2021

For the three months ended March 31, 2021, we recorded revenues of RMB959.1 million, among which revenues generated from *Nayuki* teahouses totaled RMB904.6 million, accounting for approximately 94.3% of our total revenues during the same period. During the same period, we achieved adjusted net profit (non-IFRS measure) of RMB7.3 million, despite the first quarter typically not being our peak season in a year. In addition, we achieved store-level operating profit for *Nayuki* of RMB151.6 million for the three months ended March 31, 2021, representing a store-level operating profit margin of 16.8%.

The financial data of the Group for the three months ended March 31, 2021 disclosed above are derived from the Company's unaudited interim financial statements for the three months ended March 31, 2021, which have been prepared in accordance with the International Accounting Standard 34, "Interim Financial Reporting" and reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

COVID-19 Outbreak and Effects on Our Business

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, countries and regions across the world, including China, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. As of the Latest Practicable Date, substantially all of the Chinese cities had eased or lifted domestic travel restrictions and resumed normal social activities, business, work and production.

As mandated shutdowns and limited operation orders went into effect across China from late January to early April 2020 when the COVID-19 outbreak peaked in China, we had experienced an immediate and drastic reduction in sales levels compared to the same periods in 2019. Approximately 61% of our *Nayuki* teahouses in China had temporarily closed for seven or more days during February 2020 when the COVID-19 outbreak peaked in China. In particular, all of our 19 *Nayuki* teahouses located in Wuhan, China suspended operations from late January 2020 to early April 2020, as a result of the city-wide lockdown. For *Nayuki* teahouses that remained open in other regions of China, the average daily sales per teahouse and same store sales declined significantly due to shortened hours of operation and reduced customer traffic, with a significant portion of those teahouses temporarily shifting to a "delivery/pick-up only" operating model and solely serving delivery and pick-up orders by customers. As a result, the average daily sales per teahouse for our *Nayuki* teahouse network decreased from RMB28.7 thousand in the first quarter of 2019 to RMB15.6 thousand in the first quarter of 2020, and from RMB27.7 thousand in 2019 to RMB20.2 thousand in 2020. The same store sales for our *Nayuki* teahouses with respect to the same stores across 2019 and 2020 decreased by 45.9% from the first quarter of 2019 to the first quarter of 2020, and by 21.5% from 2019 to 2020. In addition, our revenues decreased from RMB434.0 million in the first quarter of 2019 to RMB425.6 million in the first quarter of 2020. Due to a number of factors such as mandatory quarantine requirements, social distancing and transportation and travel restrictions as well as our proactive and swift responses to the COVID-19 outbreak, our delivery services witnessed a significant growth in 2020, which was also attributable to our success in enhancing our online service capabilities. To varying degrees, our teahouse network expansion, supply chain management and product development had also been impacted by the COVID-19 outbreak.

The social and market conditions in China have substantially improved since late March 2020 when the COVID-19 outbreak was substantially under control. Accordingly, we have experienced steady recovery in our operating performance since April 2020. All of our *Nayuki* teahouses in China were open as of late April 2020, and sales and customer traffic at such teahouses substantially recovered by the end of July 2020. The average daily sales per teahouse for our *Nayuki* teahouses increased by 18.5% from RMB18.3 thousand in the first half of 2020 to RMB21.7 thousand in the second half of 2020. The same stores sales for our *Nayuki* teahouses with respect to the same stores across 2019 and 2020 increased by 31.7% from the first half of 2020 to the second half of 2020. In particular, our *Nayuki* teahouses located in Tier 1 cities have witnessed a strong post-pandemic rebound, with the same store sales in the second half of 2020 returning to a similar level as that for the same period of 2019, which was primarily due to the more extensive and effective epidemic prevention measures these Tier 1 cities have taken in response to the COVID-19 outbreak.

In addition, key performance indicators of our *Nayuki* teahouses including average daily sales per teahouse, same store sales and same store profit in the second half of 2020 were relatively lower as compared to those during the same period in 2019, primarily due to the lingering effect of the COVID-19 outbreak to varying degrees. We recorded average daily sales per teahouse of RMB21.7 thousand in the second half of 2020, as compared to that of RMB26.1 thousand in the second half of 2019. Same store sales for our *Nayuki* teahouses that qualify as the same stores across 2019 and 2020 decreased from RMB816.6 million in the second half of 2019 to RMB743.8 million in the second half of 2020. Accordingly, same store profit for such *Nayuki* teahouses decreased from RMB145.3 million in the second half of 2019 to RMB128.3 million in the second half of 2020. Nevertheless, we achieved a revenue growth from RMB1,309.9 million in the second half of 2019 to RMB1,753.4 million in the second half of 2020, and our same store profit margin remained relatively stable at 17.8% and 17.3% in the second half of 2019 and 2020, respectively.

These key performance indicators of our *Nayuki* teahouses substantially improved from the first quarter of 2020 to the same period in 2021, primarily because our teahouse operation in the first quarter of 2020 was heavily impacted by the COVID-19 outbreak. Average daily sales per teahouse increased from RMB15.6 thousand in the first quarter of 2020 to RMB19.5 thousand in the same period in 2021. Additionally, same store sales for our *Nayuki* teahouses that qualify as the same stores across 2019 and 2020 grew from RMB218.2 million in the first quarter of 2020 to RMB339.1 million in the first quarter of 2021. We recorded same store profit of RMB64.9 million in the first quarter of 2021 as compared to same store loss of RMB11.6 million in the first quarter of 2020. As a consequence, we reported same store profit margin of 19.1% in the first quarter of 2021, as compared to same store loss margin of 5.3% in the first quarter of 2020. Our revenues also increased from RMB425.6 million in the first quarter of 2020 to RMB904.6 million in the first quarter of 2021.

As compared with the fourth quarter of 2020, key performance indicators of our *Nayuki* teahouses remained relatively stable in the first quarter of 2021. We recorded average daily sales per teahouse of RMB20.9 thousand in the fourth quarter of 2020 and RMB19.5 thousand in the first quarter of 2021, and sames store sales for *Nayuki* teahouses that qualify as the sames stores across 2019 and 2020 were RMB359.6 million in the fourth quarter of 2020 and RMB339.1 million in the first quarter of 2021. We achieved a revenue growth from RMB885.4 million in the fourth quarter of 2020 to RMB904.6 million in the first quarter of 2021. Additionally, same store profit for our *Nayuki* teahouses increased from RMB57.0 million in the fourth quarter of 2020 to RMB64.9 million in the first quarter of 2021, and same store profit margin for our *Nayuki* teahouses increased from 15.8% in the fourth quarter of 2020 to 19.1%, both of which were primarily attributable to (i) the impact on the same store profit and profit margin in the fourth quarter of 2020 of the input value-added tax left uncreditable as a result of the one-off output value-added tax exemption in 2020, and (ii) change of product mix as we launched several seasonal tea drinks with relatively higher cost of raw materials in the last quarter of 2020. For details of the output value-added tax exemption in 2020, see "Summary – Summary of Historical Financial Information – Summary of Combined Statements of Profit or Loss – Non-IFRS Measure."

For more details related to the COVID-19 outbreak, its effects on our business and our remedial measures, and our recovery and employee protection measures, see "Financial Information – Effects of the COVID-19 Outbreak on Our Business – Recovery and Employee Protection Measures."

Under the worst case scenario that our business and operation are materially adversely affected by the COVID-19 outbreak, our Directors believe we are able to remain financially viable till June 30, 2022, taking account of the financial resources available to us as of March 31, 2021 and 10% of the estimated net proceeds from the Global Offering expected to be used for working capital and general corporate purposes, and assuming: (i) no revenue is generated since March 31, 2021, (ii) costs and operating expenses incurred in the ordinary course of business are reduced to the minimum level to maintain essential business functions, (iii) we will suspend our business expansions with respect to our teahouse network, supply chain capabilities and IT system, and consequently we do not incur any capital expenditure, and (iv) we will settle all of our outstanding trade and other payables and trade and other receivables, and pay off our capital commitment and remaining interest-bearing borrowings as of March 31, 2021.

No Material Adverse Change

Our Directors confirm that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2020, the end of the period reported on in the Accountants' Report set out in Appendix I to this Prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We are applying for the Listing under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/revenue test, among other things, with reference to (i) our revenue for the year ended December 31, 2020, being RMB3,057.2 million, which is significantly over HK$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization at the time of the Listing, which, based on the low end of the Offer Price range, exceeds HK$4 billion as required by Rule 8.05(3) of the Listing Rules.

DIVIDENDS

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

We have not previously declared or paid any cash dividend or dividend in kind and we have no plan to declare or pay any dividends in the near future on our Shares. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering.

J.P. Morgan Securities (Asia Pacific) Limited, CMB International Capital Limited and Huatai Financial Holdings (Hong Kong) Limited are the Joint Global Coordinators of the Global Offering.

The listing of the Shares on the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this Prospectus.

257,269,000 Offer Shares will initially be made available under the Global Offering comprising:

(a) the Hong Kong Public Offering of initially 25,727,000 Shares (subject to reallocation) in Hong Kong as described in "– The Hong Kong Public Offering" below; and

(b) the International Offering of initially 231,542,000 Shares (subject to reallocation and the Over-allotment Option) (i) sold to QIBs pursuant to exemption from registration requirements of the U.S. Securities Act under Rule 144; and (ii) sold outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "– The International Offering" below.

Investors may either (i) apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 15.00% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.87% of the total Shares in issue immediately following the completion of the Global Offering.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that: (i) the Global Offering has been completed and 257,269,000 Shares are issued pursuant to the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 1,715,126,147 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK$17.20 per Offer Share	**Based on an Offer Price of HK$19.80 per Offer Share**
Market capitalization immediately after the Global Offering(1)	HK$29,500.17 million	HK$33,959.50 million
Unaudited pro forma adjusted net tangible assets attributable to equity shareholder of the Company per Share(2)	HK$3.20	HK$3.58

Notes:

(1) The calculation of market capitalization is based on 1,715,126,147 Shares expected to be in issue immediately upon completion of the Global Offering.

(2) The unaudited pro forma adjusted net tangible asset per Share attributable to equity shareholder of the Company is calculated after making the adjustments referred to in Appendix II and on the basis that 1,715,126,147 Shares are expected to be in issue immediately upon completion of the Global Offering.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the mid-point of the Offer Price Range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HK$238.2 million, accounting for approximately 5.0% of the gross proceeds from the Global Offering (based on the mid-point of the Offer Price Range and assuming that the Over-allotment Option is not exercised), of which (i) approximately HK$13.9 million has been charged to our combined statements of profit or loss during the Track Record Period, and (ii) approximately HK$27.8 million is expected to be charged to our combined statements of profit or loss for the year ending December 31, 2021 and the remaining amount of HK$196.5 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2021.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised):

Assuming an Offer Price of HK$18.50 per Offer Share (being the mid-point of the Offer Price range stated in this Prospectus)	HK$4,521.3 million
Assuming an Offer Price of HK$19.80 per Offer Share (being the high end of the Offer Price range stated in this Prospectus)	HK$4,842.4 million
Assuming an Offer Price of HK$17.20 per Offer Share (being the low end of the Offer Price range stated in this Prospectus)	HK$4,200.3 million

We intend to use the net proceeds as follows (based on the mid-point of the Offer Price range stated in this Prospectus):

- approximately 70.0%, or HK$3,165.0 million, will be used over the next three years to expand our teahouse network and deepen our market penetration;

- approximately 10.0%, or HK$452.1 million, will be used over the next three years to further improve our overall operations through enhancing technology capabilities, with a goal to improve operational efficiency;

- approximately 10.0%, or HK$452.1 million, will be used over the next three years to strengthen our supply chain capabilities, with a goal to support our expanding scale; and

- the remaining approximately 10.0%, or HK$452.1 million, will be used for working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range.

If the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of approximately HK$685.3 million for 38,590,000 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK$18.50 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on pro rata basis.

For further details, see “Future Plans and Use of Proceeds.”

In this Prospectus, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in this Prospectus.

"%"	per cent
"2020 Share Incentive Plan"	the share incentive plan approved and adopted on May 15, 2020, the principal terms of which are set out in "Statutory and general information – D. Equity Incentive Plans" in Appendix IV to this Prospectus
"2020 Share Option Plan"	the share option plan approved and adopted on May 15, 2020, the principal terms of which are set out in "Statutory and general information – D. Equity Incentive Plans" in Appendix IV to this Prospectus
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company conditionally adopted on June 9, 2021 which shall become effective on the Listing Date and as amended from time to time, a summary of which is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this Prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing Tiantu"	Beijing Tiantu Xingbei Investment Center (Limited Partnership) (北京天圖興北投資中心(有限合夥)), a limited partnership established under the Laws of the PRC on June 26, 2015. See the section headed "Substantial Shareholders" in this Prospectus for its current ownership structure
"Board"	the board of directors of our Company

"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cayman Companies Act" or "Companies Act"	the Companies Act (as amended) of the Cayman Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chengdu Tiantu"	Chengdu Tiantu Tiantou Dongfeng Equity Investment Fund Center (Limited Partnership) (成都天圖天投東風股權投資基金中心(有限合夥)), a limited partnership established under the Laws of the PRC on November 17, 2016. See the section headed "Substantial Shareholders" in this Prospectus for its current ownership structure
"China" or "PRC"	People's Republic of China, except where the context requires otherwise and only for the purposes of this Prospectus, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"CIC Survey"	a survey conducted by CIC in March 2021 by 3,000 customers who, among other criteria, were over 16 years old and consumed freshly-made tea drinks for at least five times in at least one leading premium modern teahouse in China during the past three months

"Companies Ordinance"	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"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	Nayuki Holdings Limited (奈雪的茶控股有限公司) (formerly known as Pindao Holdings Limited (品道控股有限公司)), an exempted company with limited liability incorporated in the Cayman Islands on September 5, 2019
"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 Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Zhao, Ms. Peng, Linxin Group, Linxin International, Linxin Holdings, Forth Wisdom Limited and Crystal Tide Profits Limited. See the section headed "Relationship with the Controlling Shareholders" in this Prospectus
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"CSRC"	China Securities Regulatory Commission
"Director(s)"	the director(s) of our Company
"Equity Incentive Plans"	the 2020 Share Option Plan and the 2020 Share Incentive Plan
"Extreme Conditions"	Any extreme conditions or events, the occurrence of which will cause interruption to the ordinary course of business operations in Hong Kong and/or that may affect the Price Determination Date or the Listing Date
"Global Offering"	the Hong Kong Public Offering and the International Offering

"Governmental Authority"	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider designated by our Company, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we", "us", or "our"	our Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong", "Hong Kong SAR" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the 25,727,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus)

"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this Prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering" in this Prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting – Hong Kong Underwriters" in this Prospectus
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated Thursday, June 17, 2021, relating to the Hong Kong Public Offering, entered into among the Joint Sponsors, the Joint Global Coordinators, the Hong Kong Underwriters, our Company, Mr. Zhao Lin, Ms. Peng Xin and Linxin Group Limited, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering" in this Prospectus
"IAS"	International Accounting Standards
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards, amendments, and interpretations, as issued from time to time by the IASB
"Independent Third Party" or "Independent Third Parties"	any entity or person who is not a connected person of our Company or an associate of any such person within the meaning ascribed thereto under the Listing Rules
"International Offer Shares"	the 231,542,000 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be allotted and issued by our Company, pursuant to any exercise of the Over-allotment Option, subject to adjustment and reallocation as described in the section headed "Structure of the Global Offering" in this Prospectus

"International Offering"	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in the section headed "Structure of the Global Offering" in this Prospectus
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Joint Global Coordinators and the International Underwriters on or about Wednesday, June 23, 2021, as further described in the section headed "Underwriting – Underwriting Arrangements and Expenses – The International Offering" in this Prospectus
"Joint Bookrunners"	J.P. Morgan Securities (Asia Pacific) Limited (in relation to Hong Kong Public Offering only), J.P. Morgan Securities plc (in relation to International Offering only), CMB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Haitong International Securities Company Limited and ABCI Capital Limited
"Joint Global Coordinators"	J.P. Morgan Securities (Asia Pacific) Limited, CMB International Capital Limited and Huatai Financial Holdings (Hong Kong) Limited
"Joint Lead Managers"	J.P. Morgan Securities (Asia Pacific) Limited (in relation to Hong Kong Public Offering only), J.P. Morgan Securities plc (in relation to International Offering only), CMB International Capital Limited, Huatai Financial Holdings (Hong Kong) Limited, Haitong International Securities Company Limited, ABCI Securities Company Limited, BOCOM International Securities Limited and Futu Securities International (Hong Kong) Limited
"Joint Sponsors"	J.P. Morgan Securities (Far East) Limited, CMB International Capital Limited and Huatai Financial Holdings (Hong Kong) Limited

"Latest Practicable Date"	June 11, 2021, being the latest practicable date for ascertaining certain information in this Prospectus before its publication
"Laws"	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions
"Linxin Group"	Linxin Group Limited, a company incorporated in the BVI on December 29, 2020, one of our controlling shareholders
"Linxin Holdings"	Linxin Holdings Limited (林心控股有限公司), a company incorporated in the BVI on September 5, 2019, one of our controlling shareholders
"Linxin International"	Linxin International Limited, a company incorporated in the BVI on December 29, 2020, one of our Controlling Shareholders
"Linxin Trust"	Linxin Trust, an irrevocable discretionary trust established in Guernsey on December 30, 2020 with Linxin Holdings as beneficiary
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, June 30, 2021, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company conditionally adopted on June 9, 2021 which shall become effective on the Listing Date and as amended from time to time, a summary of which is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this Prospectus
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Zhao" or "Mr. Zhao Lin"	Mr. Zhao Lin (趙林), Chairman of the Board, an executive Director, chief executive officer and one of our Controlling Shareholders
"Ms. Peng" or "Ms. Peng Xin"	Ms. Peng Xin (彭心) (with former name as Peng Xin (彭鑫)), an executive Director, general manager and one of our Controlling Shareholders
"NEEQ"	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed "Structure of the Global Offering – Pricing and Allocation" in this Prospectus

"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be allotted and issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require the our Company to allot and issue up to 38,590,000 Shares (representing in aggregate 15% of the initial Offer Shares) to the International Underwriters to cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering – Over-allotment Option" in this Prospectus
"PBOC"	the People's Bank of China
"Pindao Holdings BVI"	Pindao Holdings Limited, a company incorporated in the BVI on September 5, 2019 and a wholly-owned subsidiary of our Company
"Pindao Holdings Hong Kong"	Pindao Holdings Hong Kong Limited, a company incorporated in Hong Kong on October 9, 2019 and a wholly-owned subsidiary of our Company
"PRC Legal Advisor"	Global Law Office
"Pre-IPO Investment(s)"	the investment(s) in our Company undertaken by the Pre-IPO Investors prior to the Global Offering, the details of which are set out in the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments" in this Prospectus
"Pre-IPO Investor(s)"	holders of the Pre-IPO Preferred Shares, who have subscribed for the Pre-IPO Preferred Shares prior to the Global Offering as described in the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments"

"Pre-IPO Preferred Shares"	the Series A Preferred Shares, the Series A+ Preferred Shares, the Series B-1 Preferred Shares, the Series B-2 Preferred Shares and the Series C Preferred Shares
"Price Determination Agreement"	the agreement to be entered into between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about Wednesday, June 23, 2021 and in any event no later than Tuesday, June 29, 2021, on which the Offer Price is to be fixed by an agreement between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters)
"Principal Share Registrar"	Walkers Corporate Limited
"Prospectus"	this Prospectus being issued in connection with the Hong Kong Public Offering
"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization arrangements undertaken by our Group in preparation for the Listing, details of which are set out in the section headed "History, Reorganization and Corporate Structure – Reorganization" in this Prospectus
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"RSU(s)"	a restricted share unit award to be granted to a participant under the 2020 Share Incentive Plan
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	the Standing Committee of National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Series A Preferred Share(s)"	the redeemable and convertible series A preferred shares of our Company with par value US$0.00005 per share which were issued to certain Pre-IPO Investors as part of the Reorganization as described in the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments"
"Series A+ Preferred Share(s)"	the redeemable and convertible series A+ preferred shares of our Company with par value US$0.00005 per share which were issued to certain Pre-IPO Investors as part of the Reorganization as described in the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments"
"Series B-1 Preferred Share(s)"	the redeemable and convertible series B-1 preferred shares of our Company with par value US$0.00005 per share which were issued to certain Pre-IPO Investors as part of the Reorganization as described in the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments"
"Series B-2 Preferred Share(s)"	the redeemable and convertible series B-2 preferred shares of our Company with par value US$0.00005 per share which were issued to certain Pre-IPO Investors as part of the Reorganization as described in the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments"

"Series C Preferred Share(s)"	the redeemable and convertible series C preferred shares of our Company with par value US$0.00005 per share which were issued to certain Pre-IPO Investors as part of the Reorganization as described in the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments"
"SFC"	Securities and Futures Commission of Hong Kong
"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary share(s) in the share capital our Company, with a nominal value US$0.00005 each
"Shenzhen Pindao Group"	Shenzhen Pindao Group Co., Ltd. (深圳市品道集團有限公司), a company incorporated in the PRC on December 17, 2019 and a wholly-owned subsidiary of our Company
"Shenzhen Pindao Management"	Shenzhen Pindao Food & Beverage Management Co., Ltd. (深圳市品道餐飲管理有限公司), a company incorporated in the PRC on May 12, 2014 and a wholly-owned subsidiary of our Company
"Stabilization Manager"	J.P. Morgan Securities (Asia Pacific) Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilization Manager (or its affiliate(s)) and Linxin Group Limited, pursuant to which Linxin Group Limited will agree to lend up to 38,590,000 Shares to the Stabilization Manager on terms set forth therein
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto it in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"the Hong Kong Stock Exchange" or "the Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Tiantu Dongfeng"	Shenzhen Tiantu Dongfeng Medium Small and Micro Enterprises Equity Investment Fund Partnership (Limited Partnership) (深圳市天圖東峰中小微企業股權投資基金合夥企業(有限合夥)), a limited partnership established under the Laws of the PRC on July 25, 2017. See the section headed "Substantial Shareholders" in this Prospectus for its current ownership structure
"Tiantu Entities"	collectively, Tiantu Xingli, Chengdu Tiantu, Tiantu Dongfeng, Tiantu Xingnan and Tiantu Xingpeng
"Tiantu Xingli"	Shenzhen Tiantu Xingli Investment Enterprise (Limited Partnership) (深圳天圖興立投資企業(有限合夥)), a limited partnership established under the Laws of the PRC on March 15, 2016. See the section headed "Substantial Shareholders" in this Prospectus for its current ownership structure
"Tiantu Xingnan"	Shenzhen Tiantu Xingnan Investment Enterprise (Limited Partnership) (深圳天圖興南投資合夥企業(有限合夥)), a limited partnership established under the Laws of the PRC on April 3, 2018. See the section headed "Substantial Shareholders" in this Prospectus for its current ownership structure
"Tiantu Xingpeng"	Shenzhen Tiantu Xingpeng Consumption Industry Equity Investment Fund Partnership (Limited Partnership) (深圳天圖興鵬大消費產業股權投資基金合夥企業(有限合夥)), a limited partnership established under the Laws of the PRC on December 29, 2017. See the section headed "Substantial Shareholders" in this Prospectus for its current ownership structure
"Track Record Period"	the financial years ended December 31, 2018, 2019 and 2020
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States", "U.S." or "US"	United States of America, its territories, its possessions and all areas subject to its jurisdiction

"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"**White Form eIPO**"	the application for Hong Kong Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the **White Form eIPO** at **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Zundao"	Dongguan Zundao Environmental Packaging Services Co., Ltd. (東莞市遵道環保包裝實業有限公司), a company incorporated in the PRC on October 27, 2017. See the section headed "Connected Transactions" in this Prospectus for its current ownership structure

The following is a glossary of certain terms used in this Prospectus in connection with us and/or our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"active members"	members who placed an order for our products at least once in a given period
"CAGR"	compound annual growth rate
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"EBITDA"	earnings before interest, taxes, depreciation and amortization
"freshly-made tea shops"	tea shops primarily serving freshly-made tea drinks that provide both dine-in and take-out services
"initial breakeven period"	the first month for the revenue of a newly opened teahouse to at least equal to its opening expenses
"low-end tea shops"	freshly-made tea shops with an average selling price of not higher than RMB10 for freshly-made tea drinks
"mid-end tea shops"	freshly-made tea shops with an average selling price of lower than RMB20 but higher than RMB10 for freshly-made tea drinks
"New Tier 1 cities"	for the purpose of this Prospectus, Changsha, Chengdu, Chongqing, Dongguan, Hangzhou, Kunming, Nanjing, Ningbo, Qingdao, Shenyang, Suzhou, Tianjin, Wuhan, Xi'an, Zhengzhou, which are determined in accordance with the 2019 Ranking of Cities' Business Attractiveness (2019城市商業魅力排行榜) published by China's leading media concern YiCai (第一財經), a ranking of China's cities by indexes such as concentration of commercial resources, city as a hub, urban residents' activity, lifestyle diversity and future potential
"premium modern teahouses"	freshly-made tea shops with an average selling price of not lower than RMB20 for freshly-made tea drinks

"repeat members"	members who placed an order for our products at least twice in a given period
"RTD" or "ready-to-drink"	packaged beverages which are sold in a prepared form and ready for consumption
"standard operating procedures"	a set of step-by-step instructions compiled by an organization to help workers carry out routine operations
"teahouse payback period"	calculated with respect to our *Nayuki* teahouses opened 1) in 2018 and 2) in 2018 and 2019, and is defined as the average length of time required to recoup the capital expenditures to open a teahouse. It is calculated as (i) the aggregate amount of capital expenditures incurred to open all the new teahouses during respective periods, divided by (ii) the aggregate amount of store-level operating profit plus depreciation (excluding depreciation of right-of-use assets) and amortization recorded by such teahouses during the 12-month period after their openings
"Tier 1 cities"	for the purpose of this Prospectus, Beijing, Shanghai, Guangzhou and Shenzhen, which are determined in accordance with the 2019 Ranking of Cities' Business Attractiveness (2019城市商業魅力排行榜) published by China's leading media concern YiCai (第一財經), a ranking of China's cities by indexes such as concentration of commercial resources, city as a hub, urban residents' activity, lifestyle diversity and future potential
"Tier 2 cities"	for the purpose of this Prospectus, Changchun, Changzhou, Dalian, Foshan, Fuzhou, Guiyang, Haikou, Harbin, Hefei, Huizhou, Jiaxing, Jinan, Jinhua, Lanzhou, Nanchang, Nanning, Nantong, Quanzhou, Shaoxing, Shijiazhuang, Taiyuan, Taizhou, Wenzhou, Wuxi, Xiamen, Xuzhou, Yangzhou, Yantai, Zhongshan and Zhuhai, which are determined in accordance with the 2019 Ranking of Cities' Business Attractiveness (2019城市商業魅力排行榜) published by China's leading media concern YiCai (第一財經), a ranking of China's cities by indexes such as concentration of commercial resources, city as a hub, urban residents' activity, lifestyle diversity and future potential

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

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

- our future business development, financial condition and results of operations;
- our business strategies and plans to carry out these strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with our customers and other business partners;
- general economic, political and business conditions in the industries and markets in which we operate;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this Prospectus.

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

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

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

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" in this Prospectus.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We have incurred net losses in the past, and we may continue to experience significant net losses in the future.

We have in the past incurred significant net losses primarily because we continued to rapidly ramp up our business scale and expand our teahouse network. For the years ended December 31, 2018, 2019 and 2020, we incurred net loss of RMB69.7 million, RMB39.7 million, and RMB203.3 million, respectively. Our future profitability will depend on a variety of factors, including the expansion and performances of our teahouses, competitive landscape, customer preference and macroeconomic and regulatory environment. Therefore, our revenues may not grow at the rate we expect and it may not increase sufficiently to offset the increase in our expenses. We may continue to incur losses in the future and we cannot assure you that we will eventually achieve our intended profitability.

Our business is highly dependent on the customer acceptance of freshly-made tea drinks and we may not be able to respond to the market trends and adapt to customer preferences.

The growth of the market for freshly-made tea drinks in China is affected by customer taste, preferences and perceptions. Since we have generated, and expect to continue to generate a considerable amount of our revenues from the sale of freshly-made tea drinks, a shift in customer preferences away from freshly-made tea drinks or the decrease or slow-growth of freshly-made tea drinks consumption in China would harm our business.

We have devoted significant resources to launch new products and improve existing products from time to time to serve broader customer demand, adapt to changes in market trends and shifts in customer taste and preferences. However, there is no guarantee that we will always be able to effectively gauge the direction of our key markets and successfully identify, develop and promote new or improved products in the changing market, or our new products will always be favored by customers or commercially successful. Our financial results could be adversely affected by the lack of customer acceptance of new products (including due to price increases necessary to cover the costs of new products or higher input costs), brands, and platforms (such as features of our mobile technology, changes in our membership program and our delivery service initiatives), or customers reducing their demand for our current offerings as new products are introduced; or that we are unable to effectively manage our cost of materials, especially for newly launched seasonal products.

Additionally, our sales could be impacted by changes in consumer preferences, including in response to dietary concerns such as preferences regarding calories and sugar consumption. While we offer a variety of options, including items without adding additional sugar and have reduced calories, unfavorable publicity on the health effects of sugar or other compounds present in our products, whether accurate or not, or negative publicity or litigation arising from certain health risks could significantly reduce the demand for our beverages and food products and could materially harm our business and results of operations.

Growth of our business will partially depend on the recognition of our brands, and any failure to maintain, protect and enhance our brands, including any negative publicity, would limit our ability to expand or retain our customer base, which would materially and adversely affect our business, financial condition and results of operations.

We believe that recognition of our brands among customers has helped us manage our customer acquisition costs and contributed to the growth and success of our business. Accordingly, maintaining, protecting and enhancing the recognition of our brand is critical to our business and market position. Many factors, some of which are beyond our control, are important to maintaining, protecting and enhancing our brand. These factors include but not limited to our ability to:

- maintain the quality and attractiveness of the products we offer;
- develop and launch new products that satisfy our customers' needs;
- provide an enjoyable customer experience;
- increase brand awareness through marketing and brand promotion activities;
- maintain good relationship and retain favorable terms with our suppliers, service providers and other business partners;
- ensure compliance with relevant laws and regulations;
- compete effectively against existing and future competitors; and

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

A public perception that we, or other industry participants do not provide satisfactory products or services to customers, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brands, undermine the trust and credibility we have established and have a negative impact on our ability to attract and retain customers, and our business, financial condition and results of operations may be materially and adversely affected.

If we are unable to successfully manage our rapid growth, our business and prospects may be materially and adversely affected.

As we continue to grow rapidly, we will continue to encounter challenges in implementing our managerial, operating and financial strategies to keep up with our growth. The major challenges in managing our business growth include, among other things:

- effectively managing our teahouse network expansion;

- effectively managing the daily operations of our teahouses. See "– We may not be successful in operating our teahouses effectively" for more details;

- controlling costs in a competitive environment;

- continuing to introduce new and timely upgrade existing products to cater to evolving customers' tastes;

- promoting, maintaining and capitalizing on our brand awareness;

- retaining existing customers and attracting new customers through our membership program;

- remaining competitive in our industry. See "– We operate in a highly competitive and rapidly evolving market in China and we face intense competition. Our products are not proprietary and we are unable to prevent competitors from copying the recipes of our products." for details;

- effectively managing our supply chain and ensuring our third-party suppliers continue to meet our quality and other standards and satisfy our future operations' needs;

- maintaining and upgrading our technology systems and data analytical capabilities in a cost-effective manner;

- attracting, training and retaining a growing workforce to support our operations;
- implementing a variety of new and upgraded internal systems and procedures as our business continues to grow; and
- ensuring full compliance with relevant laws and regulations.

In particular, we may not be able to effectively manage our teahouse network expansion as planned. The number and timing of the teahouses opened during any given period are subject to a number of risks and uncertainties, including our ability to identify suitable locations for opening new teahouses, secure leases on commercially reasonable terms, obtain adequate funding for teahouse network expansion, execute the teahouse opening process efficiently, obtain all required licenses, permits and approvals for new teahouses, effectively manage our supply chain and control product quality, recruit, train and retain skilled employees, among other things.

Additionally, we usually enjoyed initial brand and new store effects and experienced customer and order concentration when we first tap into a new market/city. As the number of teahouses within any existing market continues to grow, we may experience decreases in customer traffic and sales volume.

Any factors listed above, either individually or in aggregate, may delay or hinder our plan to increase the number of teahouse in desirable locations at manageable cost levels. In addition, we may incur additional operating expenses at both store and headquarters levels as we continue to expand our teahouse network. For example, with respect to the new teahouses we plan to open in 2021 and 2022, we expect to incur investment costs of approximately RMB423.6 million and RMB486.1 million respectively, which include initial rental expenses and staff costs for such new teahouses. If we fail to manage our expansion in a cost-effective manner, our business, results of operation and financial condition may be materially adversely impacted. Furthermore, customers' demand for our products and services may not be as strong as we expect to support our rapid business growth, which may result in over-expansion of our teahouse network.

We currently plan to open approximately 300 and 350 *Nayuki* teahouses in 2021 and 2022, respectively, primarily in Tier 1 cities and New Tier 1 cities. Although such expansion plan, which we believe will allow us to increase market shares while achieving sustainable profitability in the long term, was determined by our management based on thorough market analyses, there can be no assurance that actual market demands may meet our expectation. If our expansion plan turns out to be aggressive, we may experience a significant decrease in sales of our existing teahouses, and as a result, our business, results of operation, liquidity and financial condition would be materially adversely impacted.

All efforts to address the challenges of our growth require significant managerial, financial and human resources. We cannot assure you that we will be able to execute managerial, operating and financial strategies to keep up with our growth. If we are not able to manage our growth or execute our strategies effectively, our growth may slow down and our business and prospects may be materially and adversely affected.

We may not be successful in operating our teahouses effectively.

The operating results of our teahouses have been and will continue to be subject to a number of factors, including but not limited to:

- our ability to maintain and enhance the quality of our products and services;
- our ability to retain existing customers and attract new customers;
- our ability to continuously increase customer spending and to implement new initiatives to drive sales;
- our ability to continuously increase same store sales;
- our ability to timely respond to changes in market opportunities and customer preferences;
- our ability to maintain good relationships with third-party suppliers, service providers and strategic partners;
- our ability to hire, train and retain talented employees;
- our ability to manage costs of our operations, such as cost of materials, store rental and other operating costs, and sales and marketing expenses;
- our ability to ensure full compliance with relevant laws and regulations, and maintain adequate and effective control, supervision and risk management of our teahouses; and
- our ability to monitor and control the overall operation of our teahouse.

Many factors that are out of our control, including macroeconomic and regulatory environment, could also adversely affect our teahouse operations. In addition, as we continue to expand our teahouse network, opening new teahouses near our existing teahouses may result in cannibalization, adversely affecting the sales of our existing teahouses. See "– Opening new teahouses in existing markets may cannibalize, and thus negatively affect the performance of our existing teahouses." Any of these factors listed above may render us unsuccessful in profitably operating our teahouses and could adversely impact our business, financial condition and/or results of operations. Any factors listed above, either individually or in the aggregate would adversely affect our teahouse operations. We may not achieve growth on a per teahouse basis as expected. In addition, we may not be able to achieve the expected return on our investments as we continue to expand our teahouse network. We may even have to shut down certain teahouses if their business, financial conditions and operation results are below our expectation.

From time to time we may develop new brands and store formats, evaluate and potentially explore new business opportunities, and consummate strategic investments or acquisitions, which may turn out to be unsuccessful and adversely affect our operation and financial results.

We seek and will continue to explore opportunities to grow our business, especially in exploring businesses with products that are highly relevant to our existing operations, such as freshly-made tea drinks under different brands and store formats. For example, in addition to *Nayuki*, we also operated a sub-brand *Tai Gai* in China, which accounted for a minority portion of our total net revenues during the Track Record Period. In addition, we recently launched *Nayuki PRO*, our new teahouse format, in November 2020 to achieve broader customer coverage, increase operational efficiency and offer customers a more convenient, personalized customer experience. However, we may not be successful in developing new brands and store formats and exploring new business opportunities due to various reasons such as lack of customer acceptance, over-diversification, inefficiency in operations and unsuccessful branding strategies. Additionally, to complement our business and strengthen our market-leading position, we may form strategic alliances or make strategic investments and acquisitions from time to time. We may experience difficulties in integrating our operations with the newly invested or acquired businesses, implementing our strategies or achieving expected levels of net revenues, profitability, productivity or other benefits. As a result, we cannot assure you that our initiatives in exploring new business opportunities, developing new brands, investments or acquisitions will benefit our business operations, generate sufficient net revenues to offset the associated costs, or otherwise result in the intended benefits.

Our limited operating history may not be indicative of our future growth or financial results and we may not be able to sustain our historical growth rates.

We opened our first *Nayuki* teahouse in Shenzhen in 2015 and have since achieved rapid growth, with 489 *Nayuki* teahouses covering 66 cities across mainland China and one *Nayuki* teahouse in each of Hong Kong SAR and Japan as of December 31, 2020. However, our limited operating history may not serve as an adequate basis for evaluating our prospect and operating results and historical growth may not be indicative of our future growth or financial results. There is no assurance that we will be able to maintain our historical growth rates in future periods. Our growth rates may decline for any number of possible reasons and some of them are beyond our control, including decreasing customer spending, increasing competition, declining growth of China's tea industry or China's food and beverage sector in general, emergence of alternative business models, or changes in government policies or general economic conditions. We will continue to expand our teahouse network and diversify product offerings to further increase our customer base and enrich our customers' experience. However, the execution of our expansion plan is subject to uncertainty and our business may not grow at the rate we expect for the reasons stated above. If our growth rates decline, investors' perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline.

We operate in a highly competitive and rapidly evolving market in China and we face intense competition. Our products are not proprietary and we are unable to prevent competitors from copying the recipes of our products.

The demand for our tea drinks and our future results of operations will depend on numerous factors, such as governmental regulations and policies over this industry, investments in this industry, and the evolving tastes and preferences of Chinese consumers, and some of them are completely beyond our control. A decline in the popularity of freshly-made tea drinks in general, or any failure by us to adapt our strategies in response to trends in our industry, may adversely affect our business, financial condition, results of operations and business prospects.

We mainly compete with a large and growing number of freshly-made tea shops, especially premium modern teahouses. As of December 31, 2020, there were approximately 3.4 thousand premium modern teahouses, with the top five largest players collectively accounting for approximately 58% of the market share in terms of total retail consumption value of all products in 2020. *Nayuki* accounted for approximately 18.9% of China's premium modern teahouse market in terms of total retail consumption value in 2020. Our competitors may have more financial, technical, marketing and other resources than we do and may be more experienced and able to devote greater resources to the development, promotion and support of their business. Some competitors are well-established in China and any competitive measures they take in response to our expansion could hinder our growth and adversely affect our sales and results of operations. In addition, our products, including our beverage recipes, are not proprietary, and therefore, we are unable to prevent competitors from copying the recipes of our products and sell similar products. Furthermore, our ability to maintain our leadership is subject to the entry of new competitors. For more information related to the competitive landscape of our industry, see "Industry Overview."

Furthermore, as we continue to increase our product offerings, we also expect to compete against other food and beverages operators with convenient locations. Increased competition may reduce our market share and profitability and require us to increase our sales and marketing efforts and capital commitment in the future, which could negatively affect our results of operations or force us to incur further losses. Although we have accumulated a large and continuously growing customer base, there is no assurance that we will be able to continue to do so in the future against current or future competitors. If we fail to compete effectively, we may lose market share and customers, and our business, financial condition and results of operations may be materially and adversely affected.

We are faced with increasingly intense competition with the largest player within China's premium modern teahouse industry.

The premium modern teahouse industry in China is relatively concentrated in a small group of leading players with strong brand awareness, with the top five large players in aggregate accounting for approximately 58% of the market share in terms of total retail consumption of all products in 2020. The largest player in China's premium modern teahouse industry enjoyed a market share of approximately 27.7%, and our flagship brand *Nayuki* ranked the second with a market share of approximately 18.9%. Each of the rest of the top five players accounted for a market share of approximately 4.0%.

As the leading players continue to increase their market shares, we are faced with increasingly intense competition with other leading players, and particularly the largest player, in various aspects of our business, including product innovation, product quality, customer experience as well as customer acquisition and retention. Since the largest player currently enjoys a more established market position than us, we may fail to effectively compete against, or may be out-competed by it. For example, if we are unable to maintain the quality and attractiveness of our products, develop and launch new products that address our customers' evolving demands, continuously optimize our customer experience, or continue to enhance brand awareness, among other things, customers may choose to switch from our products and services to those provided by the largest player, which may have a material adverse impact on our results of operation, financial condition and business prospects. In addition, even if we are able to remain competitive against the largest player, a significant amount of additional costs may incur, which could result in a reduced level of profitability for our business.

The market in which we operate may be saturated with a growing number of premium modern teahouses.

According to CIC, the number of premium modern teahouses grew rapidly from approximately 0.3 thousand in 2015 to 3.4 thousand in 2020, and is expected to further reach 12.7 thousand in 2025, representing a CAGR of 30.2% from 2020 to 2025. However, we cannot assure you that there can always be sufficient customer demand, if at all, to support the rapid expansion of the premium modern teahouse industry. If the key players within our industry continues to rapidly broaden their teahouse network to out-compete each other and capture more market share, the market may be saturated to the extent our sales, results of operating and financial condition may be adversely impacted.

We face the risk of fluctuations in the cost, availability and quality of our raw materials and pre-made products, which could adversely affect our results of operations.

The cost, availability and quality of our principal raw material, such as tea leaves, fresh milk and seasonal fruits, as well as pre-made food and beverage items such as bottled tea drinks and packaged confectionary, are important to our teahouse operations. Any rise or fluctuation in the market prices of our raw materials and pre-made products may result in material increases of our cost of materials, which, in turn, could adversely affect our business and results of operations. In 2018, 2019 and 2020, our cost of materials amounted to RMB384.0 million, RMB915.7 million and RMB1,159.3 million, respectively, representing 35.3%, 36.6% and 37.9% of total revenues for the respective periods. In addition, as tea leaves and most of our condiments and pre-made products have relatively short shelf life, frequent and timely supply of these products is essential to our operations. In particular, shortages of one or more of our menu items could force our teahouses to remove items from their menus, which may result in customers choosing to purchase similar products from our competitors. Further, the cancellation of our supply arrangements by our suppliers or the disruption, delay or inability of these suppliers to deliver our supplies may materially and adversely affect our results of operations if we fail to timely secure alternative distribution channels. Lack of availability of these products, whether due to shortages in supply, delays or interruptions in processing, failure of timely delivery or otherwise, could interrupt our operations and adversely affect our financial results.

In addition, the quality and safety of the food we serve is critical to our success. If we fail to effectively implement quality control measures on the sourcing, storage and the use of our raw materials, which directly affects the quality of our products, including tea drinks and baked goods, we may lose some of our existing customers and fail to attract new customers, and our results of operations may be materially and adversely affected.

If we fail to acquire new customers or retain existing customers in a cost-effective manner, our business, financial condition and results of operations may be materially and adversely affected.

Our ability to cost-effectively attract new customers and retain existing customers is crucial to driving net revenues growth and achieving higher profitability. We have invested in branding, sales and marketing to acquire and retain customers since our inception. We incurred advertising and promotion expenses of RMB39.4 million, RMB67.5 million and RMB82.2 million, for the year ended December 31, 2018, 2019 and 2020, respectively. We expect to continue to invest significantly to acquire new customers and retain existing ones, but there is no assurance that new customers will stay with us, or the net revenues from new customers we acquire will exceed the cost of acquiring those customers.

In addition, if our existing customers no longer find our products appealing or are unsatisfied with our services, or if our competitors offer more attractive products, prices, discounts or better customer services, our existing customers may lose interest in us, decrease their orders or even stop ordering from us. If we are unable to retain our existing customers or to acquire new customers in a cost-effective manner, our revenues may decrease and our results of operations will be adversely affected.

Unexpected termination of leases, failure to renew the lease of our existing premises or to renew such leases at acceptable terms could materially and adversely affect our business.

We lease the premises for all of our teahouses. Generally, lessors may not terminate our lease agreements in the absence of our breach of the lease agreements. The PRC government, however, has the statutory power to acquire any land in the PRC. As a result, we may be subject to compulsory acquisition, closure or demolition of any of the properties on which our teahouses are situated. Although we may receive liquidated damages or compensation if our leases are terminated unexpectedly, we may be forced to suspend operations of the relevant teahouse and divert management attention, time and costs to find a new site and relocate our teahouse, which will negatively affect our business and results of operations.

We generally enter into long-term leases with terms of three to five years. We cannot assure you that we would be able to renew the relevant lease agreements without substantial additional cost or increase in the rental cost payable by us. If a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and results of operations may be materially and adversely affected. If we are unable to renew the leases for our teahouses, we will have to close or relocate the teahouses, which could subject us to additional costs including costs associated with leasehold improvements removal and loss of existing customers, and could have a material and adverse effect on our business and results of operations. In addition, the relocated teahouse may not perform as well as the existing teahouse.

We recorded net liabilities and net current liabilities as of December 31, 2018, 2019 and 2020.

We recorded net liabilities during the Track Record Period, which amounted to RMB109.8 million, RMB149.5 million and RMB424.4 million as of December 31, 2018, 2019 and 2020, respectively. Our net liabilities position as of each of these dates was primarily due to non-operational impact of our redeemable capital contribution, warrants, onshore loans, convertible note and convertible redeemable preferred shares in connection with our Series A, Series A+, Series B-1, Series B-2 and Series C investments.

In addition, we recorded net current liabilities of RMB565.0 million, RMB931.3 million, RMB1,398.3 million and RMB2,499.9 million, respectively, as of December 31, 2018, 2019, 2020 and April 30, 2021, which was primarily attributable to our large redeemable capital contribution, warrants, onshore loans, convertible note and convertible redeemable preferred shares classified as financial liabilities at fair value through profit and loss and the retrospective adoption of IFRS 16 throughout the Track Record Period. There is no assurance that we will generate sufficient net income or operating cash flows to meet our working capital requirements and repay our liabilities as they become due. There can be no assurance that we will be able to successfully take any of these actions in a timely manner, including prudently managing our working capital, or raising additional equity or debt financing on terms that are acceptable to us. Our inability to take these actions as and when necessary could materially adversely affect our liquidity, results of operations, financial condition and ability to operate.

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

Expanding our teahouse network, building a well-known brand and accumulating a large and continuously growing customer base are costly and time-consuming. A vast majority of our capital is invested to fund the capital expenditures and associated costs arising from the opening of new teahouses. Our capital expenditures which were mainly associated with our teahouse development activities were RMB209.4 million, RMB289.8 million and RMB243.4 million in 2018, 2019 and 2020, respectively. Substantial and continuous investments in sales and marketing are also required for further establishing brand awareness among the mass population in China to attract new customers and retain existing ones. Our ability to obtain additional capital in the future, however, is subject to a number of uncertainties, including those relating to our future business development, financial condition and results of operations, general market conditions for financing activities by companies in our industry, and macro-economic and other conditions in China and globally. If we cannot obtain sufficient capital on acceptable terms to meet our capital needs, we may not be able to execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected.

Our business operations have been adversely affected by the COVID-19 outbreak, and may in the future continue to be affected by the COVID-19 outbreak.

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, countries and regions across the world, including China, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. The COVID-19 outbreak has adversely affected our business operations, cash flows and financial condition for the year ended December 31, 2020. Approximately 61% of our *Nayuki* teahouses in China had temporarily closed for seven or more days during February 2020 when the COVID-19 outbreak peaked in China due to the lockdown restrictions imposed by the relevant local governments. In particular, 19 of our *Nayuki* teahouses located in Wuhan, China suspended operations from late January 2020 to early April 2020, as a result of the city-wide lockdown. For *Nayuki* teahouses that remained open in other regions of China, the average daily sales per teahouse declined significantly due to shortened hours of operation and reduced customer traffic, with a significant portion of those teahouses temporarily shifting to a "delivery/pick-up only" operating model and solely serving delivery and pick-up orders by customers. As a result, the average daily sales per teahouse for our *Nayuki* teahouse network decreased from RMB27.7 thousand in 2019 to RMB20.2 thousand in 2020. The same store sales for our *Nayuki* teahouses decreased from RMB1,666.3 million in 2019 to RMB1,308.5 million in 2020. For more information on the impact of the COVID-19 outbreak on our business, see "Financial Information – Effects of the COVID-19 Outbreak on Our Business."

While we have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations, we cannot assure you that our efforts will always be effective or at all. Furthermore, we may in the future experience additional disruptions that could materially and adversely impact our business operations, financial condition and results of operations, including but not limited to:

- decreases in customer traffic and/or customer spending arising in connection with the COVID-19 outbreak;
- disruptions in our supply chain;
- the possibility that one or more clusters of COVID-19 cases could occur at our teahouses or workplace;
- difficulties to adequately staff our teahouses due to our employees' fear of contracting the COVID-19 virus;
- inability to implement our growth plans, including delays in construction of new teahouses or adversely impact our overall ability to successfully execute our plans to enter into new markets; and
- additional regulations or requirements with respect to compensation of our employees.

To the extent the COVID-19 outbreak adversely affects our business and operations, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section, such as those relating to our ability to effectively operate our teahouses, acquire new customers and raise sufficient capital on acceptable terms to support our continuous growth.

There are no comparable recent events that provide guidance as to the effect the COVID-19 outbreak as a global pandemic may have, and, as a result, the ultimate impact of the pandemic is highly uncertain and subject to change. We do not yet know the full extent of the impact on our business, our operations or the global economy as a whole. The extent to which the COVID-19 outbreak may impact our business will depend on future developments, which are highly uncertain and unpredictable, such as the duration of the outbreak, the effectiveness of travel restrictions and other measures to contain the outbreak and its impact, such as social distancing, quarantines and lockdowns across China where we, our customers and regional channel partners operate.

Any lack of requisite approvals, licenses or permits applicable to our business may have a material and adverse impact on our business, financial condition and results of operations.

In accordance with the relevant laws and regulations in jurisdictions in which we operate, we are required to maintain various approvals, licenses and permits to operate our business, including but not limited to business license, food operation license, environmental impact assessment filing and fire safety inspection. These approvals, licenses and permits are obtained upon satisfactory compliance with, among other things, the applicable laws and regulations.

If we fail to obtain the required licenses, permits and approvals, we may be subject to fines, confiscation of the income derived from the related teahouses, the suspension of operations of the related teahouses and adverse publicity arising from such non-compliance with government regulations. If we fail to obtain the necessary approvals, licenses and permits for new teahouses, our teahouse opening and expansion plan may be delayed. In addition, there can be no assurance that we will be able to obtain, renew and/or convert all of the approvals, licenses and permits required for our existing business operations upon their expiration in a timely manner or at all, which may materially impact our operations.

We have in the past failed to fully comply with the applicable laws and regulations to complete certain fire safety procedures. For details, see "Business – Licenses, Regulatory Approvals and Compliance – Fire Safety." We are in the process of rectifying the relevant non-compliance incidents. However, we cannot assure you that we will be able to fully rectify all non-compliance incidents in a timely manner or fully satisfy the regulatory requirements, or we will not be subject to any future regulatory reviews and inspections where other non-compliance incidents might be identified, which might materially and adversely affect our business, financial condition, results of operations and prospects.

Fair value change in our financial instruments issued to Pre-IPO Investors and related valuation uncertainty may materially affect our financial condition and results of operations.

Historically, we have issued to investors certain financial instruments, consisting of redeemable capital contributions, warrants, onshore loans and convertible note which are convertible into convertible redeemable preferred shares, consisting of Series A, Series A+, Series B-1, Series B-2 and Series C Preferred Shares (the "**Convertible Redeemable Preferred Shares**"), upon the completion of certain specified events, respectively. For more information about the terms of such redeemable capital contributions, warrants, onshore loans and convertible note, including their conversion and redemption features, see Note 21 and Note 22 to the Accountants' Report set out in Appendix I to this Prospectus. Upon the completion of this Global Offering, all of such Convertible Redeemable Preferred Shares will be automatically converted into ordinary shares. Additionally, the foregoing investors have the right to require us to redeem such Convertible Redeemable Preferred Shares if this Global Offering is not consummated on or prior to certain date or upon the occurrence of some specified events. For the identity and background of the foregoing investors, see the section headed "History, Reorganization and Corporate Structure – Major Corporate Development, Shareholding Changes and Reorganization of Our Group" of this Prospectus. Other than Series C investment which was entered into during the Track Record Period, the redeemable capital contribution, warrants, onshore loans and convertible note in connection with Series A, Series A+, Series B-1 and Series B-2 investments had not yet been converted into the Convertible Redeemable Preferred Shares as of December 31, 2020.

Upon conversion, the Convertible Redeemable Preferred Shares will be recorded on a fair value basis based on market valuation. We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate, expected rate of return and discount rate, in valuing certain of our assets and liabilities, including the Convertible Redeemable Preferred Shares and financial assets at fair value through profit or loss. The fair value change of Convertible Redeemable Preferred Shares and financial assets at fair value through profit or loss may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. We recorded fair value changes in financial liabilities at fair value through profit or loss of RMB132.8 million and RMB2.9 million for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively. Additionally, we recorded fair value changes of convertible redeemable preferred shares of RMB962.1 million for the three months ended March 31, 2021. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets and liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong. After the automatic conversion of the Convertible Redeemable Preferred Shares into Shares upon the completion of the Global Offering, we do not expect to recognize any further gains or losses on fair value changes from these Convertible Redeemable Preferred Shares in the future.

If the Company were to be required to redeem all such Convertible Redeemable Preferred Shares if the Global Offering is not consummated on or prior to December 30, 2023 or upon the occurrence of certain specified events, the aggregate redemption price shall be the sum of the aggregate consideration for the issuance of such Convertible Redeemable Preferred Shares, plus applicable interest accrued thereon. The aggregate consideration at which our Series A, Series A+, Series B-1 and Series B-2 Preferred Shares issued equal to RMB626 million, and the aggregate consideration at which our Series C Preferred Shares issued or otherwise acquired equal to US$105 million. As of December 31, 2020, our cash and cash equivalents was RMB501.8 million. The redemption of the Convertible Redeemable Preferred Shares, if triggered, could have a negative impact on our cash and liquidity position and financial condition.

We rely on third-party suppliers, service providers and other business partners to provide products and services to us and to our customers, and the loss of any of these suppliers, service providers or other business partners and any significant interruption in the operations of our third-party suppliers, service providers and other business partners may negatively impact our business.

We rely on our third-party suppliers, service providers and other business partners and any interruptions to their operations, any failure of our suppliers to accommodate our fast growing business scale, any termination or suspension of our supply arrangements, any change in cooperation terms, the deterioration of cooperative relationships, or any disputes with our third-party suppliers, service providers or other business partners may materially and adversely affect our results of operations. For example, a significant interruption in the operations of our tea leaves suppliers could cause a shortage of tea leaves at our teahouses, a significant interruption impacting our leased warehouses, whether as a result of a natural disaster, labor difficulties, fire or other causes, could cause the shortage of our inventory, and a significant interruption in the operations of our internet service provider could impact the operation of our online operations. In addition, our current agreements with our suppliers generally do not prohibit them from working with our competitors. Our competitors may be more effective in providing incentives to our suppliers to prioritize on their orders in case of short supply. We cannot assure you that we would be able to find replacement suppliers on commercially reasonable terms or a timely basis. If we could not solve the impact of the interruptions of operations of our third-party suppliers or service providers, our business operations and financial results may be materially and adversely affected.

Illegal actions or misconduct, or any failure by third-party suppliers, service providers or other business partners to provide satisfactory products or services could materially and adversely affect our business, reputation, financial condition and results of operations. In addition, we may be unable to receive sufficient compensation from suppliers and service providers for the losses caused by them.

Our reputation and operation may be harmed by illegal or unsatisfactory actions taken or unsatisfactory performance by suppliers, service providers and other business partners that are outside of our control. For example, the failure of our raw material suppliers to ensure product quality or to comply with food safety or other laws and regulations and contamination during the delivery to customers by or software and internet disruptions to our third-party service providers could interrupt our operations and result in claims against us, and any delay in delivery of our products, damage to our products during the course of delivery and inappropriate actions taken by delivery riders of our delivery service providers might cause customer complaints.

In the event that we become subject to claims caused by actions taken or unsatisfactory performance by our suppliers, service providers or other business partners, we may attempt to seek compensation from the relevant suppliers, service providers or other business partners. However, such compensation may be limited. If no claim can be asserted against a supplier, service provider or business partner, or amounts that we claim cannot be fully recovered from the supplier, service provider or business partner, we may be required to bear such losses and compensation at our own costs. This could have a material and adverse effect on our business, financial condition and results of operations.

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

The quality and safety of our products are critical to our success. We pay close attention to quality control, monitoring each step in the process from procurement to production and from warehouse to delivery. However, due to the scale of our operations and rapid growth of our teahouse network, maintaining consistent product quality depends significantly on the effectiveness of our quality control system, which in turn depends on a number of factors, including but not limited to the design of our quality control system, employee training to ensure that our employees adhere to and implement our quality control policies and procedures and the effectiveness of monitoring any potential violation of our quality control policies and procedures. There can be no assurance that our quality control system will always prove to be effective.

In addition, the quality of the products or services provided by our suppliers or service providers is subject to factors beyond our control, including the effectiveness and the efficiency of their quality control system, among others. There can be no assurance that our suppliers or service providers may always be able to adopt appropriate quality control systems and meet our stringent quality control requirements in respect of the products or services they provide. Any failure of our suppliers or service providers to provide satisfactory products or services could harm our reputation and adversely impact our operations. See "– Illegal actions or misconduct, or any failure by third-party suppliers, service providers or other business partners to provide satisfactory products or services could materially and adversely affect our business, reputation, financial condition and results of operations. In addition, we may be unable to receive sufficient compensation from suppliers and service providers for the losses caused by them."

In October 2019, State Council amended the Regulation for the Implementation of the Food Safety Law (the "**Regulation of Food Safety Law**"), which became effective on December 1, 2019. The Regulation of Food Safety Law outlines detailed rules for food safety assessment, food safety standards, food production and food business, food inspection and other matters. Pursuant to the Regulation of Food Safety Law, certain violations of the food safety law may result in severe administrative and criminal penalties imposed on the Company, as well as its legal representatives, senior management members and other employees. If penalties are imposed on our senior management members, they may be prevented from performing their duties at the Company, which could in turn negatively affect our business operations. Such penalties could also have a material adverse impact on the Company's reputation.

Incidents involving food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling, whether or not accurate, as well as adverse public or medical opinions about the health effects of consuming our products, could harm our business.

Instances or reports, whether true or not, of food-safety issues, such as food or beverage-borne illnesses, tampering, adulteration, contamination or mislabeling, either during growing, manufacturing, packaging, transportation, storing or preparation, employee hygiene and cleanliness failures or improper employee conduct, have in the past severely injured the reputations of companies in the food and beverage sectors. Any report linking us to such instances could severely hurt our sales and could possibly lead to product liability claims, litigation and/or temporary teahouse closures. In addition, instances of food or beverage-safety issues, even those involving solely the teahouses of competitors or of suppliers or distributors (regardless of whether we use or have used those suppliers or distributors), could, by resulting in negative publicity about us or the food service industry in general, adversely affect our sales on a regional or global basis. A decrease in customer traffic as a result of food-safety concerns or negative publicity, or as a result of a temporary closure of any of our teahouses, product recalls or food or beverage-safety claims or litigation, could materially harm our business and results of operations.

We may not be successful in expanding into online channels and other sales channels.

We sell our products directly to consumers through an extensive network of self-operated teahouses across China and also various online platforms including our Weixin/WeChat and Alipay mini programs and *Nayuki* app and third-party delivery platforms. In 2018, 2019 and 2020, revenues for *Nayuki* generated from our Weixin/WeChat and Alipay mini programs and *Nayuki* app were nil, RMB310.2 million and RMB1,183.2 million, respectively, accounting for approximately zero, 13.5% and 41.2% of our total revenues during the respective periods. Revenues for *Nayuki* generated from third-party delivery platforms were RMB67.8 million, RMB396.6 million and RMB816.4 million in 2018, 2019 and 2020, respectively, accounting for 7.5%, 17.3% and 28.4% of our total revenues generated by our *Nayuki* teahouses during the respective periods.

We expect to further enhance our online strategies and increase sales from our online channels, such as through our Weixin/WeChat and Alipay mini programs and *Nayuki* app, and through cooperation with other notable online platforms. However, we may not be able to maintain a high growth rate of our online sales. If we fail to manage the continuous development of our online sales, our business, financial condition and results of operations may be adversely affected. In addition, as sales of products derived from our online channels continue to grow, we may incur additional expenses in connection with service fees that we are contractually required to pay to the relevant parties in order to continue using their online platforms, which in turn may have a material adverse impact on our results of operation and profitability. For details of our commercial arrangements with various online platform service providers, see "Business – The *Nayuki* Customer Experience – Delivered at Your Doorstep."

Our operating results are dependent on our online brand marketing efforts and advertising activities. We continuously invest in our brand to further raise brand recognition and acceptance and engage in online marketing campaigns to promote our products. We utilize tailored and creative branding and marketing strategies through different channels and platforms, such as launching our co-branding initiatives and social media marketing campaigns, which have achieved positive results. We expect to continue to adopt such strategies in the future. However, if our online marketing and advertising programs may not continue to be successful, our business and operating results may be materially and adversely affected.

In addition, we believe marketing trends in China are evolving, which requires us to experiment with new sales channels to keep pace with industry developments and consumer preferences. Moreover, as we continue to make efforts in this regard, we expect our operational and marketing expenses relating to cooperation with new channels to continue to increase.

Any discontinuation, reduction or delay in payment of any government grants, tax refund, or preferential tax treatments may have a material and adverse impact on our business.

During the Track Record Period, we had benefited from certain government grants, tax refund and preferential tax treatments. For example, in 2020, we recorded non-recurring income of RMB180.3 million from output value-added tax exemption granted by local governments in China in response to the COVID-19 outbreak, from which we benefited by a net amount of RMB7.9 million after we recognized the corresponding input value-added tax that was left uncreditable upon such output value-added tax exemption. For further details, see "Financial Information – Period-to-Period Comparison of Results of Operations – Year Ended December 31, 2020 Compared to Year Ended December 31, 2019 – Other Income." In addition, we also received government grants of RMB0.3 million, RMB0.6 million and RMB17.9 million in 2018, 2019 and 2020, respectively. We cannot assure you that we will continue to receive government grants, tax refund, or preferential tax treatments at the same level or at all, in which case our business, financial condition and result of operations may be materially and adversely affected.

We have limited insurance coverage for our operations.

The insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. Although we have commercial general liability insurance that covers liabilities and damages arising from our operations, those insurances may not be able to cover all risks. Any uninsured risks and liabilities such as damages to or loss of properties may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition. In addition, food and beverage sectors in China have historically been the target of litigation and other proceedings that are costly distracting to the management attention. A judgment or other liability in excess of our insurance coverage for any such claims or any related adverse publicity could adversely affect our business and results of operations.

Our business is subject to seasonal fluctuations and unexpected interruptions.

We experience seasonality in our business. We generally experience fewer purchase orders during cold seasons, and achieve higher purchase orders from time to time during public holidays such as the National Holiday in China. The sales of our products typically peak during the period from May to August in a year when the weather is warm and summer vacations come. For example, orders received by our same stores for *Nayuki* across 2018 and 2019 decreased by 7.8% from 3,470.9 thousand in the second quarter of 2019 to 3,198.7 thousand in the fourth quarter of the same year. Additionally, since we sell many of our products throughout the year, the cost of materials we incur also fluctuates throughout the year as with the prices of fruits, diary and other products that we use as raw materials. Our financial condition and results of operations for future quarters may continue to fluctuate and our historical quarterly results may not be comparable to future quarters.

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

Our customers can place orders through our Weixin/WeChat and Alipay mini programs, *Nayuki* app or across different third-party online platforms and we are in the process of consolidating customer and transaction data resources across different online platforms in compliance with the applicable laws and regulations to further enhance our data insights and customer experience. As part of our growth strategy, we have rolled out our current membership program to allow our customers to accumulate rewards points and access a variety of membership privileges. Customers who choose to subscribe for such membership will be eligible for certain exclusive offers, benefits and services which will not be available to our other customers who are not our members. We will also be able to track and analyze customer and transaction data from such program, if our customers check out with their membership account. Therefore, our ability to track and analyze customer and transaction data will largely depend on customer acceptance of our membership program as well as its successful operations. We have limited experience in operating such membership program, and we cannot predict with certainty the rate or extent to which our customers will subscribe for such membership program. There is no assurance that our membership program will be successfully implemented or sustainable, nor can we assure you that the program will be effective in retaining existing customers or increase their purchase frequency and that the program will not adversely affect the volume and frequency of purchases by customers who do not become members.

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

Contract liabilities represent (i) anonymous prepaid cards we sold to corporate organizations and retailers but not yet used, and (ii) vouchers and points that our customers have accumulated but not yet redeemed. We recorded contract liabilities of RMB14.9 million, RMB44.9 million and RMB78.6 million as of December 31 2018, 2019 and 2020, respectively. For further details, see "Financial Information – Discussion of Certain Key Balance Sheet

Items – Contract Liabilities." If we fail to accept prepaid cards as a payment method or redeem the vouchers and points accumulated by our customers when we are requested to, we may not be able to honor our obligations in respect of our contract liabilities, which may have a material and adverse impact on our business, reputation and liquidity position.

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

We may be exposed to fraud, bribery or other misconduct committed by our employees, customers, suppliers or any other third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. In particular, we usually receive and handle relatively large amounts of cash in our daily operations. We implement internal procedures and policies to monitor our operations and ensure overall compliance, specifically in relation to employee conduct and cash management. See "Business – Settlement and Cash Management" for details. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery, and other misconduct involving employees, customers, suppliers and other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in future. Although we consider our internal control policies and procedures to be adequate, we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material and adverse effect on our business and results of operations.

Opening new teahouses in existing markets may cannibalize, and thus negatively affect the performance of our existing teahouses.

The target consumer base of our teahouses varies by location, but the target consumer demographics are similar across different locations. As a result, the opening of a new teahouse in or near markets in which we already have presence could adversely affect the performance of those existing teahouses. Existing teahouses could also make it more difficult to build our consumer base for a new teahouse in the same market. We will continue to cluster in selected markets and open new teahouses in and around areas of existing teahouses to leverage operational efficiencies and effectively serve our customers. Cannibalization among our teahouses may become significant in the future as we continue to expand our operations and could adversely affect our sales growth, which could, in turn, adversely affect our business, financial condition or results of operations.

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

Our inventories are mostly tea leaves, dairy products, fresh fruits and other food and beverage items with short shelf life, which require us to manage our inventory effectively. We depend on our demand forecasts for various kinds of raw materials and pre-made products to make purchase decisions and to manage our inventory. Such demand, however, can change significantly between the time inventory is ordered and the date by which we hope to sell it. Demand may be affected by seasonality, new product launches, pricing and discounts, product defects, changes in customer spending patterns, changes in customer tastes and other factors, and our customers may not order products in the quantities that we expect. In addition, as we develop and market a new product, we may not be successful in establishing stable and favorable supplier relationships or accurately forecasting demand. The acquisition of certain types of inventory may require significant lead time and prepayment and they may not be returnable.

Furthermore, as we plan to continue expanding our product offerings, we expect to include a wider variety of products and raw materials in our inventory, which will make it more challenging for us to manage our inventory and logistics effectively. We cannot guarantee that our inventory levels will be able to meet the demands of customers, which may adversely affect our sales. We also cannot guarantee that all of our inventories can be consumed within its shelf life. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory value, and significant inventory write-offs. Any of the above may materially and adversely affect our results of operations and financial condition. During the Track Record Period, we recorded write-down of inventories of RMB0.3 million, RMB0.7 million and RMB0.6 million in 2018, 2019 and 2020, respectively. On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply quality raw materials and pre-made products in a timely manner, we may experience inventory shortages, which might result in diminished brand loyalty and lost revenues, any of which could harm our business and reputation.

We may increasingly become a target for public scrutiny, including complaints to regulatory agencies, negative media coverage, and malicious allegations, all of which could severely damage our reputation and materially and adversely affect our business and prospects.

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

We may experience significant liability claims or complaints from customers, or adverse publicity involving our products, our services or our teahouses.

We face an inherent risk of liability claims or complaints from our customers. Most of the customer complaints we received in the past were related to the taste of our product offerings, long waiting time, hygiene standards of our teahouses, and the service quality of our staff. Being in the food and beverage service industry, we also face an inherent risk of food contamination and related customer complaints, regulatory investigations or liability claims. We take these complaints seriously and endeavor to reduce such complaints by implementing various remedial measures. Nevertheless, we cannot assure you that we can successfully prevent or address all customer complaints in a timely manner or at all.

Any complaints or claims against us, even if meritless and/or unsuccessful, may divert management attention and other resources from our business and adversely affect our business and operations. Customers may lose confidence in us and our brand, which may adversely affect our business and results of operations. Furthermore, negative publicity including but not limited to negative online reviews on social media and crowd-sourced review platforms, industry findings or media reports related to food quality, safety, public health concerns, illness, injury or government, whether or not accurate, and whether or not concerning our products, can adversely affect our business, results of operations and reputation.

Most of the lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.

Under PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. However, the enforcement of this legal requirement varies depending on the local regulations and practices. Although failure to do so does not in itself invalidate the leases, the lessees may not be able to defend these leases against bona fide third parties and may also be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As of the Latest Practicable Date, the lease agreements for most of our leased properties in China, including leased properties for our teahouses, have not been registered with the relevant PRC government authorities. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. For details, see "Business – Properties – Leased Properties in Mainland China – Lease Registration."

Our rights to use our leased properties could be challenged by property owners or other third parties, which may disrupt our operations and incur relocation costs.

As of the Latest Practicable Date, 80 of our leased properties in China with an aggregate gross floor area of approximately 13,465 square meters were subject to potential title defects, representing approximately 8.7% of the total gross floor area of our leased properties in China. The lessors of such leased properties had not provided us with the relevant title ownership certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. There is a risk that such lessors may not have the relevant property ownership certificates or the right to lease or sublease such properties to us, in which case the relevant lease agreements may be deemed invalid and we may be forced to vacate these properties, which could interrupt our business operations and incur relocation costs. Moreover, if our lease agreements are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor. For details, see "Business – Properties – Leased Properties in Mainland China – Title Defects."

We may continue to recognize impairment losses for property and equipment and right-of-use assets.

For the years ended December 31, 2018, 2019 and 2020, we recognized impairment losses for property and equipment and right-of-use assets of approximately RMB4.9 million, RMB12.2 million and RMB3.2 million, respectively, due to the unfavorable future performance prospects of certain teahouses at the end of each reporting period. For details of the accounting treatment, see Note 11 to the Accountants' Report set forth in Appendix I to this Prospectus. We may continue to recognize impairment losses for property and equipment and right-of-use assets in the future in the event the business and financial performances of certain teahouses within our growing network fail to meet our management's expectation, in which case our financial condition and results of operations may be materially and adversely affected.

The adoption of IFRS 16 significantly affected our financial condition during the Track Record Period due to our lease arrangements, any future changes in the accounting standards may adversely affect our financial condition and results of operations.

As of the Latest Practicable Date, we primarily leased 763 properties in the PRC and three properties overseas. All of our teahouses are operating on these leased properties. The Group has elected to adopt IFRS 16 consistently throughout the Track Record Period. The adoption of IFRS 16 primarily affects the Group's accounting as a lessee of leases for properties and equipment which are classified as operating leases under IAS 17, Leases.

In accordance with IFRS 16, during the Track Record Period, we, as a lessee, recognize right-of-use assets and lease liabilities for all fixed-rate leases, except for short-term leases with lease term of 12 months or less and lease of low-value assets. Our current accounting policy for such leases is set out in Note 2(g) to the Accountants' Report set forth in Appendix I. For such leases, future relevant lease payments have been discounted as "lease liabilities" in our combined statements of financial position. For the discount rate used, we determined to use the incremental borrowing rate, being the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of use asset in a similar economic environment. The incremental borrowing rate for the recognition of lease liability is highly judgmental.

Under IFRS 16, after the initial recognition of right-of-use assets, lease liabilities and provisions for restoration costs, we, as a lessee, are required to recognize (i) depreciation of right-of-use assets, (ii) interest expenses under finance costs accrued on the outstanding balance of the lease liabilities and (iii) interest expenses under finance costs accrued on the outstanding balance of provisions for restoration costs accordingly. As a result, other rental and related expenses under otherwise identical circumstances decreased, while depreciation of right-of-use assets and finance costs increased. The total amount of depreciation of right-of-use assets, interest expenses accrued on the outstanding balances of lease liabilities and interest expenses accrued on the outstanding balances of provisions for restoration costs was higher in the early periods and lower in the later periods of each lease, which resulted in a front-loaded lease expenses recognition pattern, and it led to increase/decrease in loss/profit before taxation in the initial years of the leases.

The adoption of IFRS 16 affected virtually all commonly used financial ratios and performance metrics, such as gearing ratio, current ratio, quick ratio, (loss)/profit before taxation, loss for the year/period, cash generated from operations and cash flows from financing activities. The recognition of right-of-use assets and lease liabilities expanded our combined statements of financial position and will materially affect our related financial ratios. In particular, (i) our current ratio and quick ratio decreased as a result of the recognition of the current portion of the lease liabilities; and (ii) our gearing ratios increased as a result of the decrease in net assets from the adoption of IFRS 16. Therefore, any future changes in the accounting standards and the changes in discount rates for the recognition of lease liabilities may affect our financial condition, results of operations and key financial ratios. For details of the impact on the key items in the Group's combined statements of financial position as of December 31, 2018, 2019 and 2020, and in the Group's combined statements of profit or loss and combined cash flow statements during the Track Record Period, see "Financial Information – Basis of Presentation."

We may undertake strategic partnerships which may not be successful. If our collaboration with any of our strategic partners is terminated or curtailed, or if we are no longer able to benefit from the business collaborations with our strategic partners, our business may be adversely affected.

Our business has benefited from our collaborations with our strategic partners in the areas such as online ordering and payment, product development, supply chains, co-branding and joint marketing. We cannot assure you that such alliances or partnerships will contribute to our business, and we might not be able to maintain our cooperative relationships with our strategic partners and their respective affiliates in the future. If the services provided by these strategic partners become limited, compromised, restricted, curtailed or less effective or become more expensive or unavailable to us for any reason, our business may be materially and adversely affected. To the extent we cannot maintain our cooperative relationships with any of these strategic partners, it may be very difficult for us to identify other alternative partners, which may divert significant management attention from existing business operations and adversely impact our daily operation and customer experience.

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

During the Track Record Period, we had invested in wealth management products to mobilize our capital and generate investment returns for the benefits of our Shareholders. For example, we invested RMB30.0 million in certain wealth management products with medium risks in 2020. As of December 30, 2020, all of our wealth management products had been redeemed. Going forward, we may from time to time to invest in wealth management products with low/medium risks or low risks on a case by case basis if such products are in our Group's interest upon evaluations and analyses. The investment in wealth management products may be subject to various risks that are out of our control, including risks relating to macro-economic environment, general market conditions, as well as risk control and credit of issuing banks. Although we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products, there could be no assurance that such internal policies and guidelines will always be effective, or at all. If we fail to properly manage the risks in relation to our investment in wealth management products, we may incur significant losses, and as a result, our financial condition may be materially adversely affected. For details of our historical investment in wealth management products during the Track Record Period and the above-mentioned internal control policies and guidelines, see "Financial Information – Discussion of Certain Key Balance Sheet Items – Trade and Other Receivables – Other Receivables."

Our expansion into markets outside mainland China has been limited, and may present increased risks due to lower awareness of our brand, our unfamiliarity with those markets and other factors.

Although our focus now remains on expanding in China, we have extended our presence outside of mainland China to Hong Kong SAR and Japan and may enter into other overseas markets in the future. As a result of our small number of overseas teahouses and the relatively short time we have been operating them, we have lower brand awareness and less operating experience in these overseas markets, and our return on investment may be lower in these overseas markets than in the China. The overseas markets in which we have opened teahouses, and any additional new markets we enter in the future, have different competitive conditions, regulatory and compliance requirements, consumer tastes and discretionary spending patterns than the markets in China. As a result, new overseas teahouses may not be as successful. Specifically, due to lower consumer familiarity with the *Nayuki* brand, differences in consumer tastes or spending patterns, or for other reasons, sales at teahouses opened outside China may take longer to ramp up and reach expected sales and profit levels, and may never do so, thereby affecting our overall growth and profitability. To build brand awareness in overseas markets, we may need to make greater investments in advertising and promotional activity than we originally planned or than we need to for opening a new teahouse in China, which could negatively impact the profitability of our operations in those overseas markets.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our trademarks, software copyrights, copyright of works, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success. As our brands enjoy consumer recognition and premium positioning in China, we have encountered numerous instances of unauthorized use and imitation of brand names, trademarks, domain names, copyrights and other intellectual properties by third parties from time to time. Although we operate almost all of our teahouses in China and do not have a franchise business, such unauthorized imitators may falsely represent that we are actually recruiting franchisees and fraudulently induce interested persons to enter into franchise arrangements with them. Although we are and have been actively taking actions to combat against such conducts, there can be no assurance that such actions will be successful in prevention of and deterring them. A significant presence of counterfeit products and teahouses similar to our brand names and likeliness in the market could have a negative impact on the value and image of our brands and adversely affect our business and results of operations. Any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that (i) our pending applications for intellectual property rights will be approved, (ii) all of our intellectual property rights will be adequately protected, or (iii) our intellectual property rights will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable.

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

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

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

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

Our business requires a substantial number of personnel. Any failure to retain stable and dedicated labor by us may lead to disruption to our business operations. Although we have not experienced any labor shortage to date, we have observed an overall tightening and increasingly competitive labor market. We have experienced, and expect to continue to experience, increases in labor costs due to increases in salary, social benefits and employee headcount. Our staff costs increased from RMB340.2 million in 2018 to RMB750.7 million in 2019 and further to RMB919.1 million in 2020. We compete with other companies in our industry and other labor-intensive industries for labor, and we may not be able to offer competitive remuneration and benefits compared to them. If we are unable to manage and control our labor costs, our business, financial condition and results of operations may be materially and adversely affected.

Our employment practices may be adversely impacted under the labor contract law of the PRC.

The SCNPC promulgated the Labor Contract Law which became effective on January 1, 2008 and was amended on December 28, 2012, and the State Council promulgated implementing rules for the labor contract law on September 18, 2008. The labor contract law and the implementing rules impose requirements concerning, among others, the execution of written contracts between employers and employees, the time limits for probationary periods, and the length of employment contracts. The interpretation and implementation of these regulations are still evolving, our employment practices may violate the labor contract law and related regulations and we could be subject to penalties, fines or legal fees as a result. If we are subject to severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

Non-compliance with labor-related laws and regulations of the PRC may have an adverse impact on our financial condition and results of operation.

We have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including basic pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract Law, that became effective in January 2008 and was amended in December 2012, and its implementing rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. If we are subject to severe penalties or incur significant legal fees in connection with labor-related laws and regulations, our business, financial condition and results of operations may be adversely affected.

In addition, we engage dispatched workers from third-party employment agencies as teahouse staff. Pursuant to the Labor Contract Law and its amendments, dispatched workers may only be engaged for temporary, ancillary or substitute positions. We cannot assure you that the relevant governmental authorities will determine that our dispatched workers are engaged for temporary, ancillary or substitute positions. The Interim Provisions on Labor Dispatch, which became effective on March 1, 2014, further provides that the number of dispatched workers an employer may use must not exceed 10% of its total labor force. Specifically, in the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. Additionally, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

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

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

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

During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions to Employee Benefits for our employees. In 2018, 2019 and 2020, the aggregate shortfall of social insurance and housing provident fund contributions amounted to

RMB8 million, RMB23 million and RMB34 million, respectively. We have not received any notice from the relevant government authorities or any claim or request from these employees in this regard and we had not make any provision for the shortfalls in our financial statements. For details, see "Business – Licenses, Regulatory Approvals and Compliance – Social Insurance and Housing Provident Funds."

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

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

PRC laws and regulations prohibit advertising companies from producing, distributing or publishing any advertisement with content that violates PRC laws and regulations, impairs the national dignity of the PRC, involves designs of the PRC national flag, national emblem or national anthem is considered reactionary, obscene, superstitious or absurd, is fraudulent, or disparages similar products. We may be subject to claims by customers misled by information in our advertisements. We may not be able to recover our losses from advertisers by enforcing the indemnification provisions in the contracts, which may result us in diverting management's time and other resources from our business and operations to defend against these infringement claims. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Our business generates and processes a large amount of data, which subjects us to governmental regulations and other legal obligations related to privacy, information security and data protection. Any improper use or disclosure of such data by us, our employees or our business partners could subject us to significant reputational, financial, legal and operational consequences.

Our business generates and processes a large quantity of personal and transaction data. We face risks inherent in handling large volumes of data and in protecting the security of such data. In particular, we face a number of challenges relating to data from transactions and other activities on our system, including:

- protecting the data in and hosted on our system, including against attacks on our system by third parties or fraudulent behavior by our employees;

- addressing concerns related to privacy and sharing, safety, security and other factors; and

- complying with applicable laws, rules and regulations relating to the collection, use, disclosure or security of personal information, including any requests from regulatory and government authorities relating to such data.

Any systems failure or security breach or lapse that results in the release of customer data could harm our reputation and brand and, consequently, our business, in addition to exposing us to potential legal liability. In addition, our business partners and their employees may improperly use or disclose the data we disclose to them for our operation and we have limited control over the actions of our business partners and their employees. Any failure, or perceived failure, by us, our employees, our business partners, or their employees to comply with privacy policies or with any regulatory requirements or privacy protection-related laws, rules and regulations could result in proceedings or actions against us by governmental entities or others. These proceedings or actions may subject us to significant penalties and negative publicity, require us to change our business practices, increase our costs and severely disrupt our business.

Recently, companies' practices regarding collection, use, retention, transfer, disclosure and security of user data have been the subject of enhanced regulations and increased public scrutiny. The regulatory frameworks regarding privacy issues in many jurisdictions are constantly evolving and can be subject to significant changes from time to time. For instance, a growing number of legislative and regulatory bodies have adopted customer notification requirements in the event of unauthorized access to or acquisition of certain types of data. In China, the PRC Cybersecurity Law, which became effective in June 2017, leaves substantial uncertainty as to the circumstances and standards under which the law would apply and violations would be found. See "Regulations – Regulations on Information Security and Privacy Protection." Complying with these obligations could cause us to incur substantial costs. Any failure to comply with applicable regulations, whether by us, business partners, or other third parties, or as a result of employee error or negligence or otherwise, could result in regulatory enforcement actions against us and have an adverse impact on our business operations.

Any significant disruption in our technology infrastructure or our failure to maintain the satisfactory performance, security and integrity of our technology infrastructure would materially and adversely affect our business, reputation, financial condition and results of operations.

The proper functioning of our technology infrastructure is critical to our business. We rely on our technology to improve customer engagement and our operational efficiency, among others. The risks we face in relation to the disruption of our technology infrastructure include:

- we rely on third-party platforms and services to conduct our business and any interruptions or delays in such platforms and services may impair our normal operations;

- we may be exposed to disruptions in our technology infrastructure due to incompatibility of different operational information systems. We have recently migrated certain data from third-party platforms to our proprietary operational information system, which allows for effective integration of various data and information. While we expect such proprietary system to support our expanded business operations in the long term, we cannot assure you that we will not encounter temporary frictions or disruptions during the transitioning period;

- we may encounter problems when upgrading our technology infrastructure including our mini program on social media platforms, systems and software. The development, upgrades and implementation of our technology infrastructure are complex processes. Issues not identified during pre-launch testing of new products or services may only become evident when such products or services are made available to our entire customer base. Therefore, our technology infrastructure, including our mini program on the Weixin/WeChat platform, may not function properly if we fail to detect or solve technical errors in a timely manner; and

- our systems are potentially vulnerable to damage or interruption as a result of earthquakes, floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses, hacking and similar events.

These and other events may lead to the unavailability of our mini program on social media platforms, interruption of our supply chain and delivery, leakage or permanent loss of customer data, interruptions or decreases in connection speed, or other events which would affect our operations. If we experience frequent or persistent service disruptions, whether caused by failures of our own systems or those of third-party suppliers or service providers, our reputation or relationships with our customers may be damaged and our customers may switch to our competitors, which may have a material adverse effect on our business, financial condition and results of operations.

If we fail to adopt new technologies to meet the evolving customer needs or emerging industry standards, our business may be materially and adversely affected.

To remain competitive, we must continue to stay abreast of the constantly evolving industry trends and to enhance and improve our technology accordingly. Our success will depend, in part, on our ability to introduce and apply technologies useful in our business to improve our customer experience and operating efficiency. There can be no assurance that we will be able to use new technologies effectively to meet customer requirements. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or customer preferences, whether for technical, legal, financial or other reasons, our business may be materially and adversely affected.

Security breaches and attacks against our technology systems, and any potentially resulting breach or failure to otherwise protect confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations.

Our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial of service or other interruption to our business operations. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against, these attacks.

We have in the past and are likely again in the future to be subject to these types of attacks, although to date no such attack has resulted in any material damages or remediation costs. If we are unable to avert these attacks and security breaches, we could be subject to significant legal and financial liability, our reputation would be harmed and we could sustain substantial lost sales and customer dissatisfaction. We may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Actual or anticipated attacks and risks may cause us to incur significantly higher costs, including costs to deploy additional personnel and network protection technologies, train employees and engage third-party experts and consultants.

The payment methods that we accept subject us to third-party payment-related risks and other risks.

We accept a variety of payment methods including Weixin/WeChat Pay, Alipay and Union Pay through third-party payment services. We pay these payment services varying service fees, which may increase over time and raise our operating costs. We may also be subject to fraud, security breaches and other illegal activities in connection with the various payment methods we offer.

We use software licensed from third parties. Our ability to provide customers with a high-quality online experience also depends on the satisfactory performance, reliability and availability of software licensed from third parties.

We use software licensed from third parties. Any system interruptions caused by telecommunications failures, computer viruses, or hacking or other attempts to harm the software licensed from third parties that result in the unavailability of our *Nayuki* app or reduced performance would affect the attractiveness of the services offered on our platform. We may encounter problems when software licensed from third parties is upgraded and undetected programming errors could adversely affect the performance of the software we use to provide our services. In addition, we could be required to seek licenses from third parties in order to continue using the open source software we are permitted to use currently, in which case licenses may not be available on terms that are acceptable to us, or at all. Alternatively, we may need to re-engineer our platform or discontinue the use of portions of the functionality provided by our platforms. Our inability to use third-party software could result in disruptions to our business, or delays in the development of future offerings or enhancements of our existing platforms, which could materially and adversely affect our business and results of operations.

We, our Directors, management and employees may be subject to litigation and regulatory investigations and proceedings, such as claiming in relation to food safety, commercial, labor, employment, antitrust or securities matters, and may not always be successful in defending ourselves against such claims or proceedings.

We face potential liability, expenses for legal claims and harm due to our business nature. For example, customers could assert legal claims against us in connection with personal injuries related to food poisoning or tampering. The PRC government, media outlets and public advocacy groups have been increasingly focused on customer protection in recent years. See "Regulation – Regulations Relating to Customer Rights Protection." Sale of defective products may expose us to liabilities associated with customer protection laws. Sellers are generally responsible for compensation on customer's loss even if the contamination of food is not caused by the sellers. Thus, we may also be held liable if our suppliers or other business partners fail to comply with applicable food-safety related rules and regulations. Though we can ask the responsible parties for indemnity after that, our reputation could still be adversely affected. In addition, our Directors, management and employees may from time to time be subject to litigation and regulatory investigations and proceedings or otherwise face potential liability and expense in relation to commercial, labor, employment, antitrust, securities or other matters, which could adversely affect our reputation and results of operations.

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

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

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

Our operations depend on the performance of the mobile based systems, telecommunications networks and digital infrastructure in China.

Our business model relies heavily on mobile based systems, telecommunications networks and digital infrastructure. Almost all access to the internet in China is maintained through state-owned telecommunication operators under the administrative control and regulatory supervision of the Ministry of Industry and Information Technology. Moreover, we primarily rely on a limited number of telecommunication service providers to provide us with data communications capacity through local telecommunications lines and internet data centers to host our servers. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the fixed telecommunications networks provided by telecommunication service providers. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our *Nayuki* app. We cannot assure you that the digital infrastructure and the telecommunications networks in China will be able to support the demands associated with the continued growth in digital usage.

In addition, we have no control over the costs of the services provided by telecommunication service providers. If the prices we pay for telecommunications and digital services rise significantly, our results of operations may be materially and adversely affected. Furthermore, if data access fees or other charges to mobile users increase, our user traffic may decline and our business may be harmed.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our business, financial condition and results of operations.

We are vulnerable to natural disasters, health epidemics, and other calamities. Any of such occurrences could cause severe disruption to the daily operations of us, and may even require a temporary closure of facilities and logistics delivery networks, which may disrupt our business operations and adversely affect our results of operations. In addition, our results of operations could be adversely affected to the extent that any of these catastrophic events harm the Chinese economy in general.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

Substantially all of our assets and operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally. China's food and beverage market in general is affected by macro-economic factors, including changes in international, national, regional and local economic conditions, employment levels, customer demand and discretionary spending. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in China, in the policies of the Chinese government or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, lead to a reduction in demand for our products and adversely affect our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustment, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and operating results.

Uncertainties with respect to the PRC legal system could adversely affect us.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, the interpretation and enforcement of these laws and regulations involve uncertainties. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have a retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

We may be required to obtain prior approval from the CSRC for the listing and trading of our Shares on the Hong Kong Stock Exchange.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the State Administration for Industry and Commerce, the CSRC, and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which became effective on September 8, 2006, and amended on June 22, 2009.

Our PRC Legal Advisor is of the opinion that prior CSRC approval for this offering is not required because (i) Shenzhen Pindao Group was incorporated as a foreign-invested enterprise without involving acquisition of the equity or assets of a "PRC domestic company", as such term is defined under the M&A Rules, and (ii) Shenzhen Pindao Management was incorporated as a PRC domestic company and became a sino-foreign equity joint venture in December 2020 in compliance with the M&A Rules. In January 2021, Shenzhen Pindao Group and Pindao Holdings Hong Kong acquired the equity interest in Shenzhen Pindao Management, which is a sino-foreign equity joint venture, such that the M&A Rules are not applicable. As a result, we did not seek prior CSRC approval for this offering. However, we cannot assure that the relevant PRC government authorities, including the CSRC, will reach the same conclusion as our PRC Legal Advisor. These regulatory authorities may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from this offering into the PRC or take other actions that could have a material adverse effect on our business, as well as the trading price of our Shares. The

CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the Shares offered by this prospectus. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

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

We are a company incorporated under the laws of the Cayman Islands, we conduct substantially all of our operations in China, and substantially all of our assets are located in China. In addition, all our senior executive officers reside within China for a significant portion of the time and most are PRC nationals. As a result, it may be difficult for our Shareholders to effect service of process upon us or those persons inside China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

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

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including for services of any debt we may incur.

Our PRC subsidiaries' ability to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. The reserve is not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends or otherwise fund and conduct our business.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC resident enterprises are incorporated.

The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.

Under PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC industry and commerce authorities.

In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application through our office automation system and the application will be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries. If any employee obtains, misuses or misappropriates our chops and seals or other controlling non-tangible assets for whatever reason, we could experience disruption to our normal business operations, and we may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay us from using the proceeds of this offering, to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises (the "**FIEs**") in China, capital contributions to our PRC subsidiaries are subject to the approval of or filing with the MOFCOM or their respective local branches and registration with a local bank authorized by the SAFE. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or their respective local branches and (ii) our PRC subsidiaries may not procure loans which exceed the difference between their respective total investment amount and registered capital. We may not be able to complete such registrations on a timely basis, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to complete such registrations, our ability to use the proceeds of this offering, and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19, which took effect as of June 1, 2015. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi fund converted from their foreign exchange capital for expenditure beyond their business scopes, providing entrusted loans or repaying loans between non-financial enterprises. The SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular 16, effective in June 2016. Pursuant to SAFE Circular 16, enterprises registered in China may also convert their foreign debts from foreign currency to Renminbi on a self-discretionary basis. SAFE Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on a self-discretionary basis which applies to all enterprises registered in China. SAFE Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities. As this circular is relatively new, there remains uncertainty as to its interpretation and application and any other future foreign exchange related rules. Violations of these Circulars could result in severe monetary or other penalties. SAFE Circular 19 and SAFE Circular 16 may significantly limit our ability to use Renminbi converted from the net proceeds of this offering, to fund the establishment of new entities in China, to invest in or acquire any other PRC companies through our PRC subsidiaries, or to establish new consolidated VIEs in China if needed in the future, which may adversely affect our business, financial condition and results of operations.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the Renminbi against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies, and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates, and to achieve policy goals. We are subject to the risk of volatility in future exchange rates and to the PRC government's controls on currency conversion.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Moreover, we are also currently required to obtain the SAFE's approval before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

Governmental control of currency conversion may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. 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 SAFE by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our Company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.

Among other things, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council in 2008, are triggered. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the NPC which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the MOFCOM before they can be completed. In addition, PRC national security review rules which became effective in September 2011 require acquisitions by foreign investors of PRC companies engaged in military-related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

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

In July 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our Shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, will be required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of SAFE. If any PRC shareholder of such SPV fails to make the required registration or to update the previously filed registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiary in China. On February 13, 2015, the SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

Some of our Shareholders that we are aware of are subject to SAFE regulations, and we expect all of these Shareholders will have completed all necessary registrations with the local SAFE branch or qualified banks as required by SAFE Circular 37 immediately before completion of this offering. We cannot assure you, however, that all of these individuals may continue to make required filings or updates in a timely manner, or at all. We can provide no assurance that we are or will in the future continue to be informed of identities of all PRC residents holding direct or indirect interest in our Company. Any failure or inability by such individuals to comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries' ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our Company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation have been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

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

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who may be granted options in the future will be subject to these regulations when our Company becomes an overseas-listed company upon completion of this offering. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, there may be additional restrictions on the ability of them to exercise their stock options or remit proceeds gained from the sale of their stock into the PRC. We also face regulatory uncertainties that could restrict our ability to adopt incentive plans in the future for our Directors, executive officers and employees under PRC law. See "Regulation – Regulations Relating to Stock Incentive Plans."

Any adverse change in our tax treatment could have a material and adverse impact on our business and results of operations.

Our products and services are subject to value-added tax, or VAT from 6% to 13%. If the tax authority has a different view on our VAT accounting treatment, our results of operations may be adversely affected.

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

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with its "*de facto* management body" within the PRC is considered a "resident enterprise" and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "*de facto* management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation, or SAT, issued a circular, known as SAT Circular 82, which provides certain specific criteria for determining whether the "*de facto* management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular applies only to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the SAT's general position on how the "*de facto* management body" text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "*de facto* management body" in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe our Company is not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "*de facto* management body." If the PRC tax authorities determine that our Company or any of its non-PRC subsidiaries is a PRC resident enterprise for enterprise income tax purposes, our Company or such subsidiary would be subject to PRC enterprise income on its worldwide income at the rate of 25%. Furthermore, if we were treated as a PRC tax resident enterprise, we would be required to withhold a 10% tax from dividends we pay to our Shareholders that are non-resident enterprises. In addition, non-resident enterprise Shareholders may be subject to PRC tax at a rate of 10% on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual Shareholders and any gain realized on the transfer of our Shares by such Shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source). These rates may be reduced by an applicable tax treaty, but it is unclear whether in practice non-PRC Shareholders of our Company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

In addition to the uncertainty as to the application of the "resident enterprise" classification, we cannot assure you that the PRC government will not amend or revise the taxation laws, rules and regulations to impose stricter tax requirements or higher tax rates. Any of such changes could materially and adversely affect our financial condition and results of operations.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or SAT Bulletin 7. SAT Bulletin 7 extends its tax jurisdiction to transactions involving the transfer of taxable assets through offshore transfer of a foreign intermediate holding company. In addition, SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets, as such persons need to determine whether their transactions are subject to these rules and whether any withholding obligation applies.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or other person who pays for the transfer is obligated to withhold the applicable taxes currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our Company may be subject to filing obligations or taxed if our Company is transferor in such transactions, and may be subject to withholding obligations if our Company is transferee in such transactions, under SAT Bulletin 7 and/or SAT Bulletin 37. For transfer of shares in our Company (other than on public securities markets) by investors who are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under SAT Bulletin 7 and/or SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

Regulation and censorship of information disseminated over the internet in China may adversely affect our business and reputation and subject us to liability for information displayed on our website.

The PRC government has adopted regulations governing internet access and the distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses, and the closure of the concerned websites. The website operator may also be held liable for such censored information displayed on or linked to the websites. If our website is found to be in violation of any such requirements, we may be penalized by relevant authorities, and our operations or reputation could be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering. Moreover, each of our Controlling Shareholders, the Cornerstone Investors (as defined below) and Pre-IPO Investors is expected to enter into to a six-month lock-up agreement, which will restrict these Shareholders from selling their Shares and therefore, reduce the available public float for our Shares during the lock-up period, subject to customary exceptions. As a result, the absence of any sale of Shares by such persons during the lock-up period may cause, or at least contribute to, limited liquidity in the market for our Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

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

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

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

As the Offer Price of our Shares is higher than the combined net tangible assets per share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted combined net tangible assets. Our existing Shareholders will receive an increase in the pro forma adjusted combined net tangible asset value per share of their shares. In addition, holders of our Shares may experience further dilution of their interest if we issue additional shares in the future to raise additional capital.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers, Controlling Shareholders and Pre-IPO Investors, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers, Controlling Shareholders and Pre-IPO Investors, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

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

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall when the trading of our Shares commences.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be about four Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price or value of our Shares could fall when trading commences as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

We may not be able to pay any dividends on our Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following the Global Offering. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

Investors may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, the Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws 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 rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors reside. In particular, the Cayman Islands has a less developed body of securities laws. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this Prospectus.

This Prospectus, particularly the sections headed "Business" and "Industry Overview," contains information and statistics relating to our industry. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this Prospectus being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

You should read the entire Prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

There may be, subsequent to the date of this Prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this Prospectus, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this Prospectus and the Global Offering.

In preparation for the Global Offering, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and, under normal circumstances, at least two of the new applicant's executive directors must be ordinarily resident in Hong Kong.

Since our headquarters and most of the business operations of our Group are managed and conducted outside of Hong Kong, and all of the executive Directors of our Company ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. Our Company does not have and does not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed Mr. Zhao, our executive Director, and Ms. Lau Jeanie, our external joint company secretary, as authorized representatives of our Company, to be the principal channel of communication with the Stock Exchange. Each of them has confirmed that he/she can be readily contactable by phone and email to deal promptly with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matters on short notice. As and when the Stock Exchange wishes to contact the Directors on any matters, each of the authorized representatives will have means to contact all of the Directors promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any change in the authorized representatives;

(b) in addition to the appointment of the authorized representatives, to facilitate communication with the Stock Exchange, the contact details of each Director, including his/her mobile phone number, office phone number and e-mail address have been provided to the Stock Exchange and each of the authorized representatives, our joint company secretaries and the Compliance Adviser (as defined below) who have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. Furthermore, 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 as and when required;

(c) pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Guotai Junan Capital Limited as our compliance adviser (the "**Compliance Adviser**") for the period commencing from the date of our Listing until the date on which our Company announces our financial results and distributes our annual report for the first full financial year after the date of our Listing. The Compliance Adviser will act as our Company's additional and alternative channel of communication with the Stock Exchange. Our Company will ensure that there are adequate and efficient means of communication among us, our authorized representatives, Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange. Our Company will also inform the Stock Exchange promptly should there be any change in the Compliance Adviser. Meetings with the Stock Exchange and the Directors can be arranged through our Company's authorized representatives or the Compliance Adviser, or directly with the Directors with reasonable notice; and

(d) in addition to the Compliance Adviser's role and responsibilities after the Listing to provide advice to our Company on the continuing requirements under the Listing Rules and other applicable security laws and regulations in Hong Kong, our Company will retain a Hong Kong legal advisor to advise us on the compliance with the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after the Listing.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

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

Our Company had appointed Ms. Shi Chao ("**Ms. Shi**") and Ms. Lau Jeanie ("**Ms. Lau**") as our joint company secretaries. Ms. Lau is an associate member of the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Ms. Shi has been responsible for financing, investment and legal matters of our Group since January 2019. She has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules. While Ms. Shi may not be able to solely fulfill the requirements of the Listing Rules, our Company believes that it would be in the best interests of our Company and the corporate governance of our Company to appoint Ms. Shi as our joint company secretary due to her thorough understanding of the internal administration and business operations of our Group.

Accordingly, while Ms. Shi does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Shi may be appointed as a joint company secretary of our Company.

The waiver was granted for a three-year period on the condition that Ms. Lau, as a joint company secretary of our Company, will work closely with, and provide assistance to, Ms. Shi in the discharge of her duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations. Given Ms. Lau's professional qualifications and experience, she will be able to explain to both Ms. Shi and our Company the relevant requirements under the Listing Rules. She will also assist Ms. Shi in organizing board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Lau is expected to work closely with Ms. Shi, and will maintain regular contact with Ms. Shi, the Directors and the senior management of our Company. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time ("**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company. The waiver will be revoked immediately if Ms. Lau ceases to provide assistance to Ms. Shi as the joint company secretary for the three-year period after Listing. In addition, Ms. Shi will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the Listing Date.

In the course of preparation of the listing application, Ms. Shi attended a training seminar on the respective obligations of the directors and senior management and our Company under the relevant Hong Kong laws and the Listing Rules provided by our Company's Hong Kong legal advisor, Davis Polk & Wardwell, and has been provided with the relevant training materials. Our Company will further ensure that Ms. Shi has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange, and to receive updates on the latest changes to the applicable Hong Kong laws, regulations and the Listing Rules. Furthermore, both Ms. Lau and Ms. Shi will seek and have access to advice from our Company's Hong Kong legal and other professional advisors as and when required. Our Company has appointed Guotai Junan Capital Limited as the Compliance Adviser upon our Listing pursuant to Rule 3A.19 of the Listing Rules, which will act as our Company's additional channel of communication with the Stock Exchange, and provide professional guidance and advice to our Company and its joint company secretaries as to compliance with the Listing Rules and all other applicable laws and regulations. Prior to the end of the three-year period, the qualifications and experience of Ms. Shi and the need for on-going assistance of Ms. Lau will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Ms. Shi, having benefited from the assistance of Ms. Lau for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the "relevant experience" within the meaning of Rule 3.28 Note 2 of the Listing Rules so that a further waiver will not be necessary.

Please refer to the section headed "Directors and Senior Management" in this Prospectus for further information regarding the qualifications of Ms. Shi and Ms. Lau.

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

We have certain transactions with connected persons that are expected to continue after Listing, which will constitute partially-exempt continuing connected transactions under the Listing Rules upon Listing. We expect these partially-exempt continuing connected transactions to be carried out on a continuing basis, and our Directors consider that strict compliance with the applicable requirement under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement in respect of such partially-exempt continuing connected transaction. For details, see the section headed "Connected Transactions" of this Prospectus.

WAIVER AND EXEMPTION IN RELATION TO THE 2020 SHARE OPTION PLAN

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, inter alia, disclose in the prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.

Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the prospectus must state the matters specified in Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures, must be specified in the prospectus.

As of the Latest Practicable Date, our Company had granted options under the 2020 Share Option Plan to 118 grantees to subscribe for an aggregate of 34,950,818 Shares. The options corresponding to 5,035,756 Shares held by our Chief Technology Officer, Mr. He Gang (何剛), have been exercised. In addition, options to subscribe for 1,146,100 Shares had lapsed following the resignation of certain employees. As of the Latest Practicable Date, options granted to 111 grantees to subscribe for 28,768,962 Shares were outstanding, representing approximately 1.68% of our Company's issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised) for which the grantees include 3 Directors (with respect to 1,967,862 underlying Shares), 3 other senior management members (with respect to 3,107,900 underlying Shares), 2 Connected Persons (with respect to 14,500 underlying Shares), 17 employees of our Group who have been granted options to subscribe for 500,000 Shares or more (with respect to an aggregate of 14,206,600 underlying Shares) and 86 other employees of our Group (the "**Other Grantees**") who have been granted options to subscribe for less than 500,000 Shares (with respect to an aggregate of 9,472,100 underlying Shares).

Our Company has applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix 1A to, the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the grounds that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

(1) since the outstanding options under the 2020 Share Option Plan were granted to a total of 111 grantees involved, strict compliance with the relevant disclosure requirements to disclose names, addresses, and entitlements on an individual basis in the prospectus will require substantial number of pages of additional disclosure that does not provide any material information to the investing public and would significantly increase the cost and timing for information compilation and prospectus preparation;

(2) key information of the options granted under the 2020 Share Option Plan to the Directors, members of the senior management and Connected Persons of our Company has already been disclosed in this Prospectus under the section headed "Statutory and General Information – D. Equity Incentive Plans";

(3) the key information of the 2020 Share Option Plan as disclosed in this Prospectus under the section headed "Statutory and General Information – D. Equity Incentive Plans" is sufficient to provide potential investors with information to make an informed assessment of the potential dilution effect and impact on earnings per share of the options granted under the 2020 Share Option Plan in their investment decision making process;

(4) with respect to the Other Grantees, such number of Shares (representing only approximately 0.55% of the total issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised) is not material in the circumstances of our Company, and the exercise in full of such share options will not cause any material adverse change in the financial position of our Company; and

(5) the lack of full compliance with such disclosure requirements will not prevent potential investors from making an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group and will not prejudice the interest of the investing public.

The Stock Exchange has granted us a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules on the conditions that:

A. the following information will be clearly disclosed in this Prospectus:

  (a) on individual basis, full details of all the options granted by our Company under the 2020 Share Option Plan to each of the Directors, members of the senior management, Connected Persons and other grantees who have been granted options to subscribe for 500,000 Shares or more, including all the particulars required under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules;

  (b) in respect of the options granted by our Company to the grantees other than those referred to in sub-paragraph (a) above:

    a. the aggregate number of the grantees and the number of Shares subject to the options;

    b. the consideration paid for and the date of the grant of the options; and

c. the exercise period and the exercise price for the options;

(c) the dilution effect and impact on earnings per Share upon full exercise of the 28,768,962 outstanding options granted under the 2020 Share Option Plan;

(d) the aggregate number of Shares subject to the outstanding options granted by our Company under the 2020 Share Option Plan and the percentage of our Company's issued share capital of which such number represents;

(e) a summary of the 2020 Share Option Plan; and

(f) the list of all the grantees (including the persons referred to in paragraph (b) above), containing all details as required under Rule 17.02(1)(b), paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance be made available for public inspection in accordance with the section headed "Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection" of this Prospectus.

The SFC has agreed to grant to our Company a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

(a) full details of all the options granted under the 2020 Share Option Plan to each of (i) the Directors, (ii) members of the senior management, (iii) Connected Persons of our Company, and (iv) other grantees who have been granted options to subscribe for 500,000 Shares or more be disclosed in this Prospectus, such details include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted by our Company to the grantees other than those referred to in sub-paragraph (a), the following details be disclosed in this Prospectus:

(i) the aggregate number of the grantees and the number of Shares subject to the options;

(ii) the consideration paid for the grant of the options; and

(iii) the exercise period and the exercise price for the options;

(c) a list of all the grantees (including the persons referred to in sub-paragraph (b) above) who have been granted options to subscribe for Shares under the 2020 Share Option Plan, containing all details as required under paragraph 10 of Part I of the Third Schedule to the Companies (WUMP) Ordinance, be made available for public inspection in accordance with the section headed "Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection" of this Prospectus; and

(d) the particulars of the exemption be disclosed in this Prospectus and that this Prospectus will be issued on or before June 18, 2021.

Further details of the Share Option and Restricted Share Award Schemes are set forth in the section headed "Appendix IV – Statutory and General Information – D. Equity Incentive Plans" of this Prospectus.

WAIVER IN RESPECT OF PRINTED PROSPECTUSES

Pursuant to Rules 12.04(3), 12.07 and 12.11 of the Listing Rules, we are required to make available copies of the Prospectus in printed form.

We do not intend to provide printed copies of the prospectus or of the white and yellow application forms to the public in relation to the Hong Kong Public Offering. The proposed waiver from the requirements to make available printed copies of the Prospectus is in line with recent amendments to the Listing Rules relating to environmental, social and governance ("**ESG**") matters. As the Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters "echo the increasing international focus on climate change and its impact on business." Electronic, in lieu of printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, air pollution, among others. In July 2020, the Stock Exchange also published a consultation paper in relation to the introduction of a paperless listing and subscription regime.

We also note that in light of the severity of the ongoing COVID-19 pandemic, the provision of printed prospectuses and printed white and yellow application forms will elevate the risk of contagion of the virus through printed materials. As of the Latest Practicable Date, the government of Hong Kong has put in place social distancing measures to restrict public gatherings. While the government of Hong Kong may relax such restrictions as the local COVID-19 situation improves, it is possible that stricter social distancing measures may be necessary later if the number of cases of infection in the territory dramatically increases. In any event, it is difficult to accurately predict the development of the COVID-19 pandemic as of the Latest Practicable Date. In this uncertain environment, an electronic application process with a paperless prospectus will reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Hong Kong Public Offering.

We have adopted a fully electronic application process for the Hong Kong Public Offering and we will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. Our Hong Kong Share Registrar has implemented enhanced measures to support White Form eIPO Service, including increasing its server capacity and making available an extended-hour phone hotline to answer investors' queries in connection with the fully electronic application process. For details of the telephone hotline and the application process, please see "How to Apply for Hong Kong Public Offer Shares."

We will publish a formal notice of the Global Offering on the official websites of the Stock Exchange and our Company and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription and the enhanced support provided by our Hong Kong Share Registrar in relation to the Hong Kong Public Offering and reminding investors that no printed prospectuses or application forms will be provided.

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 12.04(3), Rule 12.07 and Rule 12.11 of the Hong Kong Listing Rules in respect of the availability of copies of the prospectus in printed form based on our specific and prevailing circumstances.

PUBLIC FLOAT REQUIREMENTS

According to Rule 8.08(1)(a) of the Listing Rules, there must be an open market in the securities for which listing is sought and a sufficient public float of an issuer's listed securities to be maintained. This normally means that at least 25% of the issuer's total issued share capital must at all times be held by the public. Pursuant to Rule 8.08(1)(d) of the Listing Rules, the Stock Exchange may, subject to certain conditions and at its discretion, accept a lower percentage of between 15% to 25% in the case of issuers with an expected market capitalization at the time of listing of over HK$10 billion.

We have applied to the Stock Exchange, and the Stock Exchange has granted us, a waiver from strict compliance with the requirement under Rule 8.08(1)(a) of the Listing Rules, pursuant to which the public float of our Company may fall below 25% of the issued share capital of our Company (assuming that the Over-allotment Option is not exercised). In support of such application, our Company has confirmed to the Stock Exchange that (i) it will make appropriate disclosure of the lower percentage of public float required by the Stock Exchange in the prospectus together with a confirmation of sufficiency of public float in its successive annual reports after the Listing; (ii) there will be an open market in the shares offered in the

Global Offering, and the number of shares and the extent of their distribution would enable the market to operate properly; (iii) we will have an expected market capitalization at the time of Listing of over HK$10 billion; and (iv) the quantity and scale of the issued securities would enable the market to operate properly with a lower percentage of public float.

Therefore, our minimum public float shall be the higher of (i) 24.86%, of the Company's Shares upon completion of the Global Offering (prior to any exercise of the Over-allotment Option); and (ii) such percentage of Shares to be held by the public immediately after the completion of the Global Offering (as increased by the Shares to be issued upon any exercise of the Over-allotment Option), provided that the higher of (i) and (ii) above is below the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules. In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, the Company will take appropriate steps to ensure that the minimum percentage of public float prescribed by the Stock Exchange is complied with.

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 AND CONSENT PURSUANT TO PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

The conditions in Rules 10.03(1) and (2) of the Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, unless with the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or its close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

One existing minority shareholder of the Company (the "**Existing Minority Shareholder**") and/or its close associates will participate in the Global Offering as a placee in the placing tranche.

We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and sought a written consent from the Stock Exchange under paragraph 5(2) of Appendix 6 to the Listing Rules, and the Stock Exchange has granted us such waiver and consent to permit us to allocate the Offer Shares in the placing tranche to the Existing Minority Shareholder and/or its close associates either as a placee, on the following grounds which are consistent with the conditions as set out in the Stock Exchange Guidance Letter 85-16 (HKEX-GL85-16):

(a) **Less than 5%**: The Existing Minority Shareholder holds less than 5% of the Company's voting rights prior to the completion of the Global Offering.

(b) **Not core connected persons**: The Existing Minority Shareholder and its close associates are not, and will not be, core connected persons (as defined under the Listing Rules) of the Company or any close associate (as defined under the Listing Rules) of any such core connected person immediately prior to or following the Global Offering.

(c) **No right to appoint Directors**: The Existing Minority Shareholder has no power to appoint Directors (other than as a Shareholder) and does not have other special rights upon the completion of the Global Offering.

(d) **No impact on public float**: As the Existing Minority Shareholder is not a connected person to the Company, the Offer Shares to be held to the Existing Minority Shareholder and/or its close associates would be part of the public. Thus, allocation to the Existing Minority Shareholder and/or its close associates for which this submission is sought will not affect the Company's ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules.

(e) **Disclosure**: The relevant information in respect of the allocation to such Existing Minority Shareholder and/or its close associates will be disclosed in the allotment results announcement.

(f) The Joint Sponsors, the Company and the Joint Bookrunners will confirm to the Stock Exchange that the Existing Minority Shareholder and/or its close associates will not receive any preferential treatment in the allocation as a placee under the Global Offering.

ALLOCATION OF SHARES TO CORNERSTONE INVESTOR WHO IS CONNECTED WITH HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules provides that, without the prior written consent of the Hong Kong Stock Exchange, no allocations will be permitted to "connected clients" of the lead broker or of any distributors.

Paragraph 13(7) of the Appendix 6 states that "connected clients" in relation to an exchange participant means any client which is a member of the same group of companies as such exchange participant.

Huatai Securities Co., Ltd. holds 41.16% shares of China Southern Asset Management Co., Ltd. ("**China Southern**") while Huatai Financial Holdings (Hong Kong) Limited ("**Huatai HK**") is a wholly-owned subsidiary of Huatai Securities Co., Ltd. As a result, China Southern is a connected client of Huatai HK. China Southern will hold the Shares on a discretionary basis on behalf of Independent Third Parties.

Huatai HK has been appointed by the Company as one of the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Underwriters of the Global Offering.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, its consent under paragraph 5(1) of Appendix 6 to the Hong Kong Listing Rules to permit China Southern to participate in the Global Offering as a cornerstone investor subject to the following conditions:

1. any Shares to be allocated to China Southern will be held for, and on behalf of, independent third parties;

2. the cornerstone investment agreement to be entered with China Southern will not contain any material terms which are more favorable to China Southern than those in other cornerstone investment agreements;

3. Huatai HK does not participate in the decision-making process or relevant discussion as to whether China Southern will be selected as a cornerstone investor;

4. China Southern has not received, and will not receive preferential treatment in the allocation as a cornerstone investor by virtue of its relationship with Huatai HK, other than the preferential treatment of assured entitlement under a cornerstone investment following the principles as set out in HKEX-GL51-13;

5. each of the Joint Sponsors, the Company, the Joint Bookrunners, Huatai HK and China Southern will provide the Hong Kong Stock Exchange written confirmations in accordance with HKEX-GL85-16; and

6. details of the allocation will be disclosed in the prospectus and the allotment results announcement.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters), on or before Tuesday, June 29, 2021, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangement, see the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

The application procedures for the Hong Kong Public Offer Shares are set forth in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares that may be issued under the Over-allotment Option).

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, June 30, 2021. No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering" in this prospectus. Assuming that the Over-allotment Option is exercised in full, the Company may be required to sell up to 38,590,000 additional new Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Walkers Corporate Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasized that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rates:

RMB0.82291 to HK$1.00
RMB6.3856 to US$1.00
HK$7.7598 to US$1.00

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhao Lin (趙林)	7/F., Building 12 Bihai Yuntian No. 68, Baishi Road Futian District Shenzhen PRC	Chinese
Ms. Peng Xin (彭心) (former name: Peng Xin (彭鑫))	7/F., Building 12 Bihai Yuntian No. 68, Baishi Road Futian District Shenzhen PRC	Chinese
Mr. Deng Bin (鄧彬)	Room 8C, East Block, Building 2 Bihai Mangrove Garden Fu Rong Road Futian District Shenzhen PRC	Chinese
Non-Executive Directors		
Mr. Pan Pan (潘攀)	Flat 3B, Block 7 Xiangyu Central Garden 66 Nongyuan Road Futian District Shenzhen PRC	Chinese
Mr. Shao Gang (邵鋼)	Room 1104, Building A Tian Ran Ju Futian District Shenzhen PRC	Chinese
Mr. Wong Tak-wai (黃德煒)	Unit 03-05, 47/F, Tower 2 Plaza 66 1366 Nanjing Road (West) Shanghai PRC	Chinese

Name	Address	Nationality
Independent Non-Executive Directors		
Mr. Chen Qunsheng (陳群生)	Sanai Center No. 15 Guanghuali Chaoyang District Beijing PRC	Chinese
Mr. Liu Yiwei (劉異偉)	Unit B, 6/F The Terrace Tower 3 18,28,29 Tsing Ying Rd Bloomsway Tuen Mun NT Hong Kong	Chinese
Ms. Zhang Rui (張蕊)	6/F, Unit 2 Building 18 Annexe No. 169, Shuanggang East Road Economic and Technological Development Zone Nanchang PRC	Chinese

Further information is disclosed in the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**J.P. Morgan Securities (Far East) Limited** 28/F, Chater House 8 Connaught Road Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong
Joint Global Coordinators	**J.P. Morgan Securities (Asia Pacific) Limited** 28/F, Chater House 8 Connaught Road Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong

Joint Bookrunners	**J.P. Morgan Securities (Asia Pacific) Limited** *(in relation to the Hong Kong Public Offering only)* 28/F, Chater House 8 Connaught Road Central Hong Kong
	J.P. Morgan Securities plc *(in relation to the International Offering only)* 25 Bank Street Canary Wharf London E14 5JP United Kingdom
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central, Hong Kong

Joint Lead Managers	**J.P. Morgan Securities (Asia Pacific) Limited** *(in relation to the Hong Kong Public Offering only)* 28/F, Chater House 8 Connaught Road Central Hong Kong
	J.P. Morgan Securities plc *(in relation to the International Offering only)* 25 Bank Street Canary Wharf London E14 5JP United Kingdom
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
	Huatai Financial Holdings (Hong Kong) Limited 62/F, The Center 99 Queen's Road Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road
Central, Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2 13/F, United Centre
No. 95 Queensway
Admiralty, Hong Kong

Legal Advisers to our Company

As to Hong Kong and U.S. laws
Davis Polk & Wardwell
18th Floor
The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law
Global Law Office
27th Floor Tower B
China Resources Land Building
No. 9668 Shennan Avenue
Nanshan District
Shenzhen
PRC

As to Cayman Islands law
Walkers (Hong Kong)
15th Floor, Alexandra House
18 Chater Road, Central
Hong Kong

Legal Advisers to the Joint Sponsors and the Underwriters

As to Hong Kong and U.S. laws
Kirkland & Ellis
26th Floor
Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

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

Reporting Accountants and Auditor

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

Receiving Bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Industry Consultant

China Insights Industry Consultancy Limited
10F, Block B
Jing'an International Center
88 Puji Road
Jing'an District
Shanghai
PRC

Registered Office in the Cayman Islands	Walkers Corporate Limited 190 Elgin Avenue, George Town Grand Cayman KY1-9008 Cayman Islands
Headquarters and Principal Place of Business in the PRC	Zone F, 2F, Building 3 Huangguan Science Park Chegongmiao Industrial Zone Futian District Shenzhen PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company Website	**www.naixuecha.com** *(the information contained on this website does not form part of this Prospectus)*
Joint Company Secretaries	Ms. Shi Chao (史超) Zone F, 2F, Building 3 Huangguan Science Park Chegongmiao Industrial Zone Futian District Shenzhen PRC Ms. Lau Jeanie (劉准羽) *(ACG, ACS)* 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong

Authorized Representatives	Mr. Zhao Lin (趙林) Zone F, 2F, Building 3 Huangguan Science Park Chegongmiao Industrial Zone Futian District Shenzhen PRC
	Ms. Lau Jeanie (劉准羽) *(ACG, ACS)* 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Ms. Zhang Rui (張蕊) *(Chairperson)* Mr. Liu Yiwei (劉異偉) Mr. Chen Qunsheng (陳群生)
Remuneration Committee	Mr. Liu Yiwei (劉異偉) *(Chairperson)* Mr. Zhao Lin (趙林) Mr. Chen Qunsheng (陳群生)
Nomination Committee	Mr. Zhao Lin (趙林) *(Chairperson)* Mr. Liu Yiwei (劉異偉) Mr. Chen Qunsheng (陳群生)
Principal Share Registrar and Transfer Office	**Walkers Corporate Limited** 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Compliance Advisor	**Guotai Junan Capital Limited** 28/F., Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal Banks	**China Merchants Bank Co., Ltd.** **Shenzhen Zhongyang Shangwu** **Sub-Branch** 1/F., Central Business Building No. 88 Fuhua Road One Futian District Shenzhen PRC
	China Merchants Bank Co., Ltd. **Shenzhen Huanggang Sub-Branch** 1/F., Tower B, Zhongshen Building Caitian South Road Futian District Shenzhen PRC
	Bank of China Limited **Shenzhen Jinxiu Sub-Branch** 1-2/F., Jinxiu Jiangnan Residence Club Renmin South Road, Longhua Town Bao'an District Shenzhen PRC

Certain information and statistics set out in this section and elsewhere in this Prospectus are derived from various government and other publicly available sources, and from the market research report prepared by CIC, an independent industry consultant, that we commissioned (the "CIC Report"). The information extracted from the CIC Report should not be considered as a basis for investments in the Offer Shares or as an opinion of CIC with respect to the value of any securities or the advisability of investing in our Company. We believe that the sources of this information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Co-Manager, the Underwriters or any of our or their respective directors, officers or representatives (other than CIC), nor is any representation given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. For discussions of risks relating to our industries, see "Risk Factors – Risks Relating to Our Business and Industry."

SOURCES OF THE INDUSTRY INFORMATION

CIC was commissioned to conduct an analysis of, and to report the China's freshly-made tea drinks and freshly-made tea shop industry at a fee of approximately USD179,000. The commissioned report has been prepared by CIC independent of the influence of the Company and other interested parties. CIC's services include industry consulting, commercial due diligence, strategic consulting, etc. Its consulting team has been tracking the latest market trends in environment, industry, energy, chemicals, healthcare, consumer goods, transportation, agriculture, e-commerce, finance, etc., and has the relevant and insightful market intelligence in the above industries.

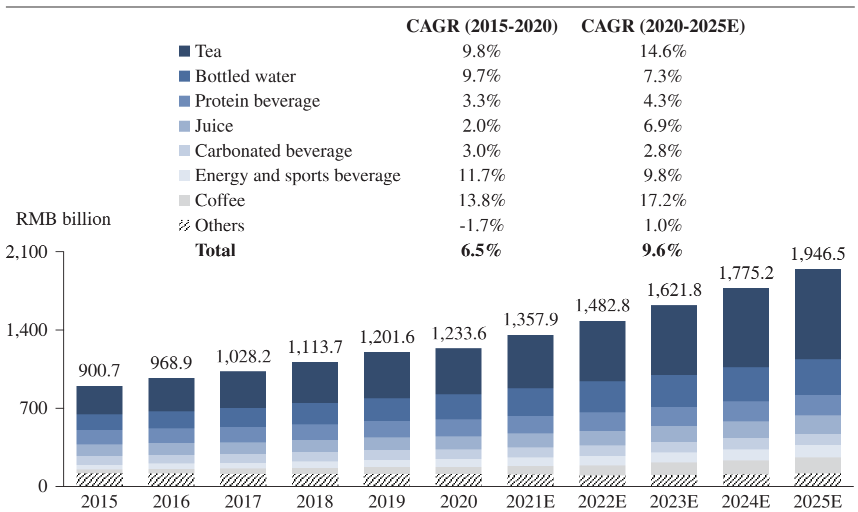
CIC conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics, International Monetary Fund, etc. The market projections in the commissioned report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth trajectory during the forecast period, accompanied by continuing urbanization; (iii) relevant key industry drivers are likely to drive the freshly-made tea market (e.g., by product innovation and upgrade, increasing spending power, the emergence of premium modern teahouses reinventing the tea-drinking experience, and rapid development of online retailing) in China during the forecast period; and (iv) there is no extreme force majeure or unforeseen set of industry regulations in which the market may be affected in either a dramatic or fundamental way.

Unless otherwise specified, all data and forecasts contained in this section are derived from the consultancy report of CIC. The report has also incorporated actual and potential impact of the COVID-19 outbreak on our industry. The CIC Survey quoted in this Prospectus was conducted in March 2021 by 3,000 customers who, among other criteria, were over 16 years old and consumed freshly-made tea drinks for at least five times in at least one leading premium modern teahouse in China during the past three months. The Directors have confirmed that there has been no occurrence of adverse change in the overall market information that would subject the data to significant restrictions, contradiction or negative effects since the date of the consultancy report.

OVERVIEW OF THE NON-ALCOHOLIC BEVERAGE INDUSTRY IN CHINA

China's non-alcoholic beverage market can be categorized into tea, bottled water, protein beverage, juice, carbonated beverage, energy and sports beverage, coffee, and others. China's non-alcoholic beverage market, by retail consumption value, has increased from RMB900.7 billion in 2015 to RMB1,233.6 billion in 2020. The growth in retail consumption value of non-alcoholic beverage in China declined in 2020, which was mainly due to the outbreak of COVID-19 which peaked in February to April 2020, and is expected to rebound in the future, on the basis that the COVID-19 outbreak has been effectively contained in China. Driven by higher disposable income and continuous product innovation, China's non-alcoholic beverage market is expected to increase from RMB1,233.6 billion in 2020 to RMB1,946.5 billion by 2025, representing a CAGR of 9.6%.

Market size of the non-alcoholic beverage market by retail consumption value, China, 2015-2025E



Note: Tea includes freshly-made tea drinks as well as other tea products including tea leaves, tea bags, tea powder, and ready-to-drink tea. Coffee includes freshly-brewed coffee drinks as well as other coffee products including coffee beans, ground coffee, instant coffee, and ready-to-drink coffee. Others include botanical beverage, chocolate-based beverage, etc.

Source: CIC Report, International Monetary Fund

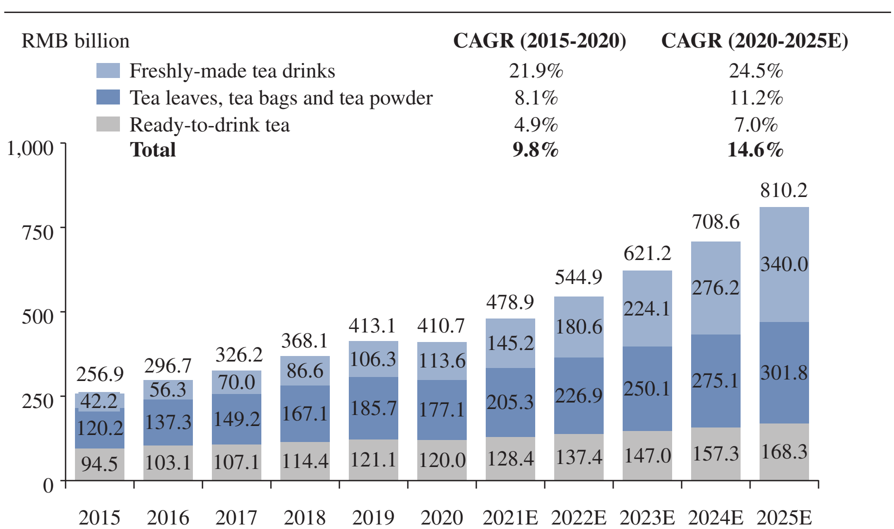
Tea has been the most popular drink in China, accounting for approximately one third of China's non-alcoholic beverage market in terms of retail consumption value as of 2020, and is generally perceived as a healthier alternative to coffee. The total size of China's tea market, as measured by retail consumption value, grew from approximately RMB256.9 billion in 2015 to approximately RMB410.7 billion in 2020, representing a CAGR of 9.8%. The market size of the tea industry in China is projected to further expand at a CAGR of 14.6% to approximately RMB810.2 billion by 2025. While, the coffee market in China, by retail consumption value, reached RMB65.5 billion in 2020, accounting for approximately 5.3% of the total non-alcoholic beverage market in China in the same period, and is expected to grow to RMB144.7 billion in 2025, mostly contributed by freshly-brewed coffee.

OVERVIEW OF THE TEA INDUSTRY IN CHINA

Tea is comprised of freshly-made tea drinks as well as other tea products including tea leaves, tea bags, tea powder and ready-to-drink tea beverages. For a very long time, tea has been a traditional drink in Chinese culture, served hot and with pure flavor from tea leaves. Putting traditional tea in a cocktail shaker with ice, bubble tea was created in the 1980s in Taiwan, and subsequently, tapioca balls, or "boba," were added to tea drinks. A new way of drinking tea has emerged, soon gaining popularity in Asia, and is now growing into a global sensation.

With the emergence of the new tea-drinking experience, China has witnessed rapid growth of the tea-drinking market. The chart below presents China's tea market size by retail consumption value during the period from 2015 to 2025.

Market size of the tea market by retail consumption value, China, 2015-2025E



Source: CIC Report, International Monetary Fund

China has an enormous consumer base and a fast-growing market for freshly-made tea drinks. The total market size of freshly-made tea drinks in China in terms of retail consumption value reached approximately RMB113.6 billion in 2020 and is expected to reach RMB340.0 billion by 2025, representing a CAGR of 24.5%. In comparison, the freshly-brewed coffee market in China, by retail consumption value, reached RMB50.7 billion in 2020 and is expected to grow to RMB125.1 billion in 2025, representing a CAGR of 19.8%. The consumer base for freshly-made tea in China reached 250.2 million people in 2020, which was approximately three times the consumer base for freshly-brewed coffee, 84.7 million people. In 2020, annual per capita consumption volume for freshly-made tea drinks amounted to 6.2 cups in China, compared to 1.7 cups of freshly-brewed coffee.

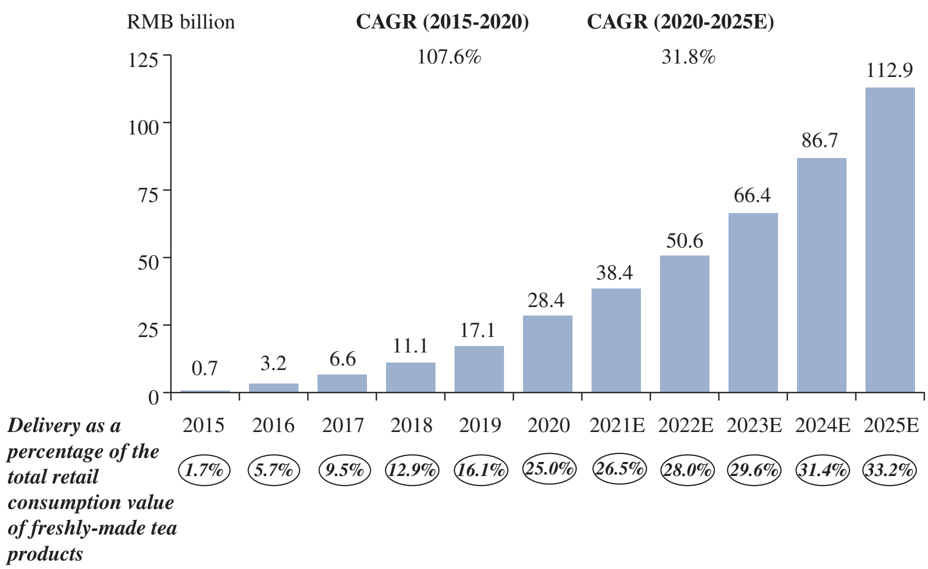
Drivers of the Freshly-made Tea Market in China

Product innovation. Tea has a unique mild scent, a light flavor and can be perfectly integrated with other ingredients. Since the first bubble tea was created, not only more toppings and flavors have been introduced, the overall quality has also been improved. Through continuous production innovation in tea drinks featured with more varieties of flavors and more diversified tastes, tea has become more appealing to young people, which is expected to further propel the freshly-made tea market in China. To compete effectively, certain brands have established standardized operating procedures for production process to ensure superior and consistent product quality. The cups and packaging of freshly-made tea drinks are specially designed to facilitate take-out and delivery orders, accommodating the increasingly rapid pace of everyday life.

Tea-drinking becoming a new lifestyle. With the growing popularity of the tea-drinking culture, freshly-made tea shops especially premium modern teahouses emerged in China and some have since devoted great efforts to deliver an overall tea-drinking experience, providing high-quality tea drinks, making tea more accessible, establishing strong brand image, and creating relaxing and social space. Social media also plays a big part of promoting tea-drinking culture and reinforcing it as a new lifestyle. People are willing to wait for hours to buy their favorite drinks or newly-launched products offered by their favorite brands. According to the CIC Survey, 53.6% of the respondents had spent more on freshly-made tea drinks compared with the previous year, and over 95% of the respondents claimed they would maintain or increase their spending in freshly-made tea shops in the future.

Rapid development of online delivery services. With the popularity of mobile internet and mobile payment, and the continuous digitalization process of China's catering industry, the retail consumption value of freshly-made tea products through delivery services in all portals (i.e., third-party online platforms,Weixin/WeChat and Alipay mini programs, and self-operated applications) increased from RMB0.7 billion in 2015 to RMB28.4 billion in 2020, with a CAGR of 107.6%, and accounted for approximately 25.0% of the total retail consumption value of freshly-made tea products in China as of 2020. These rapidly developing delivery services help catering service providers expand their service areas to regions within 2-5 km and reach more consumers. Delivery services also offer consumers greater convenience and flexibility, allowing them to order their drinks at their fingertips via mobile devices anytime, anywhere.

Retail consumption value of freshly-made tea products by delivery, China, 2015-2025E



Source: CIC Report, International Monetary Fund

OVERVIEW OF THE FRESHLY-MADE TEA SHOP INDUSTRY IN CHINA

Tea shops primarily serving freshly-made tea drinks, or freshly-made tea shops, provide the main consumption channels for freshly-made tea drinks in China. In 2020, approximately 60% of the overall consumption value in China's freshly-made tea drinks market came from freshly-made tea shops.

To meet customers' demands, companies focusing on providing innovative tea drinks have emerged, caring not only what they offer, but also where and with whom customers enjoy their drinks, what ingredients are used, and how customers connect with their brands. Around half a century ago, the "coffee house" concept was introduced to the coffee industry, first in the United States, and the idea of coffee houses offering community gathering places and allowing people to hang out and socialize became popular. Similar developments have taken place in the tea space, especially with premium modern teahouses emerging and rapidly gaining popularity in recent years. Similar to coffee shops introducing a new way to experience coffee-drinking, these tea shops have been constantly bringing new tea-drinking experiences to customers.

Development of the Freshly-made Tea Shops Industry in China

In recent years, with growing demands for a new tea-drinking experience, customers are more willing to pay more for an enhanced overall experience and as a result upscale freshly-made tea shops appeared. Freshly-made tea shops can be categorized based on average selling price of tea drinks into three types: (i) premium modern teahouses, (ii) mid-end tea shops and (iii) low-end tea shops. There were approximately 3.4 thousand premium modern teahouses, 141.5 thousand mid-end tea shops, and 203.5 thousand low-end tea shops as of December 31, 2020.

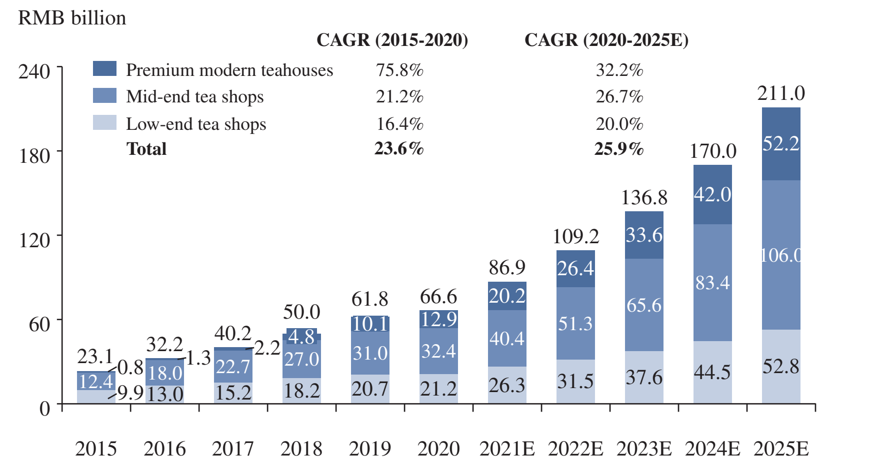
A premium modern teahouse, defined as a freshly-made tea shop with an average selling price of not lower than RMB20 for freshly-made tea drinks, represents the 3rd new generation of freshly-made tea shops. Premium modern teahouses focus on producing freshly-made tea drinks with high-quality and fresh ingredients and create an enjoyable tea-drinking experience, normally associated with welcoming and fashionable space for customers to socialize and relax, which differentiate themselves from traditional teahouses and other freshly-made tea shops such as tea stands. The chart below shows the upgrading of freshly-made tea shops and the emergence of premium modern teahouses in China in recent years.

	1st Generation (low-end tea shops)	2nd Generation (mid-end tea shops)	3rd Generation (premium modern teahouses)
Ingredients	• Synthetic additions and artificial coloring • Creamer and milk tea powder	• Canned fruit, jam and flavored syrup • Fannings and creamer	• High-quality and fresh ingredients including premium tea leaves, fresh milk and seasonal fruits
Representative products	• Boba tea	• Flavoured milk tea such as mango green tea and honey grapefruit tea	• Fresh fruit tea such as cheese strawberry tea and orange tea • Cold brewed tea
Average selling price of freshly-made tea products, 2020	• Not higher than RMB10	• Lower than RMB20, but higher than RMB10	• Not lower than RMB20
Major store format	• Street stands for take away	• Street stands for take away • Take-away stores in shopping malls	• High-end teahouses with social space serving both dine-in and take-away orders • Other innovative store formats

Source: CIC Report

Customers in China have demonstrated strong willingness to consume in premium modern teahouses. 95.9% of the respondents indicated that in the past year, the percentage of their consumption in premium modern teahouses maintained or increased among all consumptions in freshly-made tea shops, and 52.8% of the respondents indicated that such percentage increased according to the CIC Survey. The total consumption value of freshly-made tea products generated from premium modern teahouses in China, grew from approximately RMB0.8 billion in 2015 to approximately RMB12.9 billion in 2020, representing a CAGR of 75.8%. The number in China is projected to further expand at a CAGR of 32.2% to approximately RMB52.2 billion by 2025. Premium modern teahouses are expected to continue to outpace the average growth level for other freshly-made tea shops, in terms of the consumption value of freshly-made tea drinks between 2020 and 2025, and will account for approximately 24.8% of the total consumption value of China's freshly-made tea drinks in freshly-made tea shops as of 2025.

Retail consumption value of freshly-made tea products generated from freshly-made tea shops, China, 2015-2025E



Note: The retail consumption value of any order represents the final price that the customer pays for the products purchased by him or her, which excludes discounts in any form, delivery fees paid by the customers and value-added taxes, as the case may be. For self-operated market participants including the Group, retail consumption value equals to revenue recognized by such market participants in connection with product sales, whereas for market participants that adopt a franchise model, retail consumption value demonstrates the real market demands for their respective products by excluding the impact of a varying portion of their revenues generated from franchise or similar fees paid by franchisees.

Source: CIC Report, International Monetary Fund

Despite its tremendous growth potential, the freshly-made tea shops industry in mainland China is still underpenetrated as compared to other more mature markets such as Taiwan and Hong Kong, which share a similar long-standing tea drinking culture but have much smaller consumer population than mainland China. In 2020, the per capita consumption volume of freshly-made tea drinks in both Taiwan and Hong Kong was over 50 cups which is still more than four times of that expected to reach in 2025 in mainland China, according to CIC. This indicates that there is strong market demand for freshly-made tea drinks in the near future that would support the continuous development of China's freshly-made tea shops industry.

Future Trends of Premium Modern Teahouse Industry in China

Consumption upgrade with increasing spending power. China has witnessed rapidly rising consumer spending power and per capita disposable income. Per capita disposable income of Tier 1 and New Tier 1 cities is expected to continuously increase to reach approximately RMB100.5 thousand and RMB63.9 thousand by 2025, respectively. With a higher purchasing power, Chinese consumers are more willing to pay for freshly-made tea products, especially in premium modern teahouses. According to the CIC survey, 95.9% of the respondents indicated that the percentage of their consumption in premium modern teahouses maintained or increased among all consumptions in freshly-made tea shops in the past year, and 52.8% of the respondents indicated that such percentage increased.

Differentiated store formats and diversified consumption scenarios. To target a wider range of consumers in different consumption scenarios, leading brands have various types of tea shops, such as theme shops, pop-up shops and premium shops featuring stylish interiors and fashionable space. It is expected that there will be more innovative store formats, such as teahouses with menus offering both tea and coffee drinks, gifts and lifestyle goods shops, and bars. Furthermore, except for shopping malls, where premium modern teahouses offer customers a relaxing and social environment, other locations such as office buildings, residential neighborhoods or transportation centers catering to diverse consumption scenarios, such as afternoon tea breaks, may capture the unmet consumer demand as well.

Cross-selling. The high frequency of tea drinks consumption creates cross-selling opportunities, such as baked goods and other related products. Leading brands have broadened their product categories to include other food and beverage products such as baked goods, coffee, ready-to-drink tea beverages, and packaged snacks, which can significantly expand the consumption time slots and scenarios for brands and allow them to provide a multi-dimensional customer experience. The retail consumption value of cross-selling items in premium modern teahouses of China is expected to increase from approximately RMB2.2 billion in 2020 to RMB10.1 billion in 2025, representing a CAGR of 35.4%.

Dedicated membership programs. With the continuous digitalization process of the industry, leading brands have started to establish digitalized membership programs to provide a premium and personalized customer experience to their members. In addition to convenient online ordering tools, members of such programs can also enjoy various privileges and benefits, such as birthday discounts, privileges to try out new products and free coupons, which are expected to incentivize repeat purchases and increase customer loyalty. Besides, through establishing a membership program, brands can collect relevant transaction data to inform more tailored product innovation and marketing.

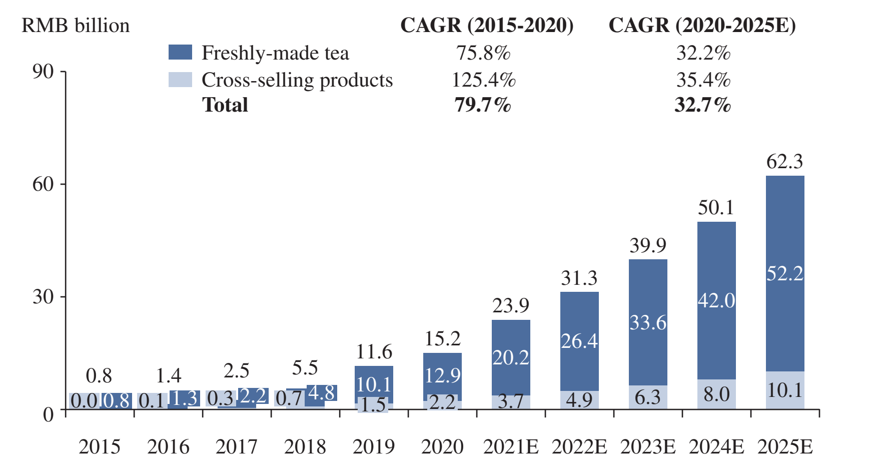
Innovative marketing methods. In recent years, leading brands have launched co-branding products with reputable lifestyle and retail brands. Innovating co-branding products has become a trend in most retail businesses. Each brand has a targeted consumer pool, and as tea brands launch co-branding products, it helps these tea brands tap into the consumer pool of the partner. In addition, the co-branding products are usually offered as limited editions, which helps attract customers. Furthermore, social media will continue to be widely used as the main channels for branding and marketing activities.

COMPETITIVE LANDSCAPE OF THE PREMIUM MODERN TEAHOUSE INDUSTRY IN CHINA

As of December 31, 2020, there were approximately 348 thousand freshly-made tea shops in China, with an average selling price of RMB13 for freshly-made tea drinks, among which there were approximately 3.4 thousand premium modern teahouses, with an average selling price not lower than RMB20 for freshly-made tea drinks. Meanwhile, approximately 10 thousand freshly-made tea shop chains (defined as brands with more than one store nationwide) operated approximately 210 thousand shops nationwide, among which there were approximately 100 premium modern teahouse chains, operating approximately 2.5 thousand teahouses nationwide.

The chart below illustrates the total retail consumption value generated by premium modern teahouses, including freshly-made tea and other cross-selling products, such as baked goods.

Total retail consumption value generated by premium modern teahouses (including freshly-made tea and cross-selling products), China, 2015-2025E



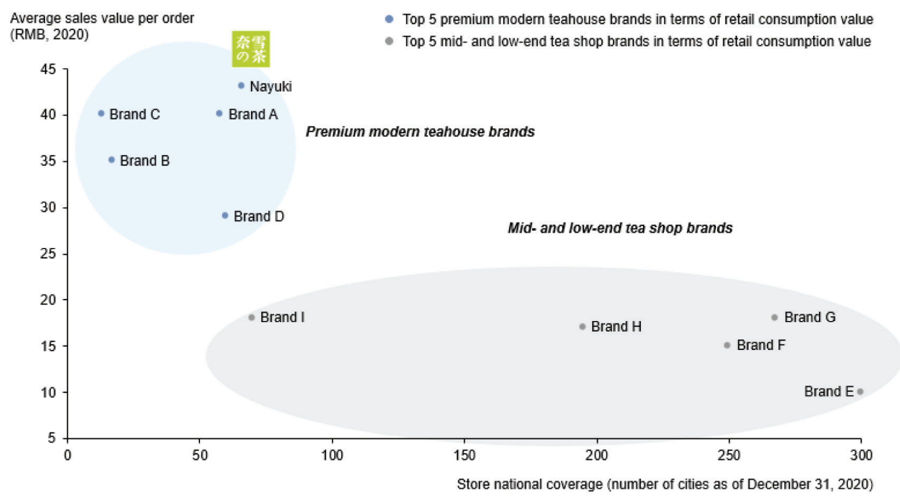
Source: CIC Report, International Monetary Fund

Nayuki ranked the seventh in China's freshly-made tea shop industry in terms of retail consumption value, having generated RMB2.9 billion in mainland China in 2020, with a market share of 3.9%. Among premium modern teahouses chains in China, *Nayuki* is the second largest player in terms of retail consumption value, having generated RMB2.9 billion in mainland China in 2020, with a market share of 18.9%.

Nayuki has the most extensive teahouse network in China in terms of the number of cities covered, among premium modern teahouse chains in China as of December 31, 2020. As of December 31, 2020, *Nayuki* operated 489 stores in 66 cities in mainland China, illustrating stronger penetration into different tiers of cites than other premium modern teahouse chains. The average number of cities covered of a premium modern teahouse chain in China was below 10 as of December 31, 2020. In 2020, *Nayuki*'s average sales value per order reached

RMB43.0, which was the highest among premium modern teahouse chains in China with an industry average sales value per order of approximately RMB35.0. The chart below shows the key premium modern teahouse chains and other tea shop chains in mainland China:

Market position analysis of premium modern teahouses and other tea shops, Mainland China, 2020



Source: CIC Report

The chart below shows the key metrics of top five premium modern teahouse chains in mainland China in terms of retail consumption value of all products sold in such teahouses in 2020.

Rank	Brand name	Inception year in mainland China	Approximate market share in terms of retail consumption value of all products, 2020	Approximate store number, December 31, 2020	Approximate number of directly-operated stores (percentage of directly-operated stores), December 31, 2020	Number of covered cities, December 31, 2020	Approximate average selling price of freshly-made tea products (RMB), 2020	Approximate average sales value per order (RMB), 2020
1	Brand A	2012	27.7%	690	690(100%)	58	25	40
2	*Nayuki*	2015	18.9%	489	489(100%)	66	26	43
3	Brand B	2011	4.3%	187	187(100%)	17	21	35
4	Brand C	2016	3.9%	61	61(100%)	13	24	40
5	Brand D	2017	3.6%	200	100(50%)	60	21	29

Source: CIC Report

The premium modern teahouse industry is relatively concentrated, with the top five large players collectively accounting for approximately 58% of the market share in terms of total retail consumption value of all products in 2020. During the same period, *Nayuki* accounted for approximately 18.9% of China's premium modern teahouse market in terms of total retail consumption value. Due to the strong brand awareness and product development of leading brands, China's premium modern teahouse market is expected to continue to concentrate in a handful of leading players in the next years.

The chart below shows the key metrics of top five mid- and low-end tea shop brands in mainland China in terms of retail consumption value of all products sold in such tea shops in 2020. A majority of stores of mid- and low-end tea shop brands in mainland China are franchised stores.

Rank	Brand name	Inception year in mainland China	Approximate market share in terms of retail consumption value of all products, 2020	Approximate store number, December 31, 2020	Number of covered cities, December 31, 2020	Approximate average selling price of freshly-made tea products (RMB), 2020	Approximate average sales value per order (RMB), 2020
1	Brand E	1997	13.3%	12,000	300	8	10
2	Brand F	2007	11.6%	4,600	250	13	15
3	Brand G	2007	9.1%	5,700	268	13	18
4	Brand H	2010	8.7%	4,100	195	13	17
5	Brand I	2010	8.5%	3,122	70	12	18

Entry Barriers for the Premium Modern Teahouse Industry in China

Branding capabilities. Brand awareness is at the heart of customer acceptance and product sales. According to the CIC Survey, 70.3% of the respondents indicated strong brand preferences when choosing premium modern teahouses. Market participants with strong branding capabilities typically are able to drive sensations in tea consumption, through which they continue to enhance market presence. By virtue of their established brand reputation, top players are better-positioned to further develop and expand their business.

Appropriate retail sites. Location is essential for the success of a premium modern teahouse. Stores located in premium locations are able to cover and serve more consumers, leading to better business results. Top market participants are recognized by property developers as anchor tenants, and usually find it easier to access to premium locations such as the entry location on the first floor of popular shopping malls. New market entrants without sufficient brand influence or established relationships with property developers may find it hard to locate an appropriate location to start a business.

Capabilities of product quality control and standardization. Consumers are becoming increasingly more selective in choosing their food and beverages. Premium modern teahouses need to make strict internal standards to guarantee their product quality, including both food safety and taste. Furthermore, implementation of such internal quality standards and operational procedures at scale throughout a broad teahouse network is at the key for premium modern teahouses to ensure consistency in product taste and quality, thereby maintaining brand reputation. New market entrants may find it difficult to control their product quality across an extensive teahouse network, especially when they expand their stores, due to a lack of industry know-how and operational experience, thus facing low retention rates.

Supply chain management. Premium modern teahouse brands usually set a high standard for their raw materials. They are capable of directly working with reputable suppliers who have dedicated supply chain resources to make their key ingredients, such as certain types of tea leaves and fresh juices, based on their unique and heightened specifications. Such actions require a superior level of supply chain management and high bargaining power over suppliers, which new market entrants may find challenging. In addition, top premium modern teahouse brands usually take pride in their advanced techniques and know-how in processing and blending of ingredients, which allow for the enhanced quality and improved taste, as compared to new market entrants. Furthermore, an extensive and fast-changing product portfolio also requires premium modern teahouse brands to have an established business relationship with their suppliers and be equipped with a supply chain model that has the sensitivity to make prompt responses to market trends, which usually takes time to properly establish. A strong supply chain may also mean economies of scale and lower procurement costs for premium modern teahouse brands.

Key Success Factors for the Premium Modern Teahouse Industry in China

Strong brand image rooted in rich tea culture. Customers look to express their social identities through their choices of brands, which in turn can help customers build their desired social image. Therefore, the premiumization of a teahouse extends beyond the tastes, natural ingredients, and quality and safety of its products to the rich tea culture embedded in its brand image. Through seamlessly combining profound tea culture with their products and services, premium modern teahouses are more likely to build a strong brand image and foster a loyal customer base.

Product quality and innovations. Product quality and innovation have become critical in retaining customers and act as important differentiating factors for premium modern teahouses. With increasing disposable income and rising health consciousness, consumers in China, especially the younger generations, are paying more attention to the product quality. 98.3% of respondents indicated that their health consciousness had been increasing when choosing freshly-made tea products in recent years, according to the CIC Survey. Premium modern teahouses that are capable of offering quality, healthy, freshly-made tea drinks are likely to dominate the market. In addition, according to the CIC Survey, 70.3% of the respondents indicated that they had strong brand preferences, and approximately 70% of such respondents attributed their brand preferences partially to the brands' top-selling products. It is of the same importance for premium modern teahouses to maintain a portfolio of quality core products and constantly upgrade such core products, while launching new products that can meet customers' evolving tastes and preferences. In addition, the selection and quality of ingredients, which largely impact the tastes of freshly-made tea drinks, should be addressed to make sure the upgraded and new products meet the consumers' expectation.

Customer experience. Nowadays, young people in China look for a more comprehensive tea-drinking experience. Premium modern teahouses with bespoke and superior customer services are capable of attracting and retaining customers more effectively. Leading premium modern teahouses also place value in in-store designs, with a goal to create a comfortable, upscale social space for customers to socialize and enjoy relaxing lifestyle. Furthermore, leading players are increasing the brands' touch points in their customers' everyday lives through opening teahouses with diverse concepts, such as bars and gift shops, thereby providing a well-rounded customer experience.

Digitalized customer acquisition and engagement. Leading premium modern teahouses have been digitalizing their customer acquisition and engagement to increase their touch points in customers' everyday lives and achieve more satisfying customer experience, thereby becoming an integral part of customers' everyday lives. In particular, the widespread usage of mobile internet and prevalent adoption of mobile payment have paved way for the development of a technology-driven new retail model in the premium modern teahouse industry in China, with delivery orders accounting for 25.0% of total freshly-made tea drinks retail consumption value in 2020, with a CAGR of 107.6% between 2015 and 2020. Effective digital marketing strategies not only enable premium modern teahouses to achieve highly-targeted marketing and provide more customized services, but also play a prominent role in helping them build a strong brand identity.

Operational efficiency. Operational efficiency is critical to the scalability and profitability of premium modern teahouses, which in turn is attributable to the effective combination and seamless integration of standardized and automated equipment and sophisticated operational systems. In particular, sophisticated operational systems that are capable of enhancing supply chain management, standardizing food preparation process, automating and streamlining in-store operation, and informing business decision making are of significant importance in driving operational efficiency.

Challenge for the Premium Modern Teahouse Industry in China

Raw material supply risks. The cost and availability of raw material, such as tea leaves, fresh milk and seasonal fruits, are important to operations of premium modern teahouses. Any fluctuation in the market prices of raw materials or shortage in raw materials may adversely affect the results of operations.

Food safety and hygiene compliance. The quality and safety of the food is critical to premium modern teahouse brands' success. If they fail to effectively implement quality control measures on the sourcing, storage and the use of raw materials, which directly affects the quality of products, they may lose existing customers and fail to attract new customers, or even face legal risks.

Product homogeneity. In China's premium modern teahouse industry, market participants may launch similar, competing products as one product type is getting popular among customers. As a result, a brand's ability to launch innovative and high-quality products on a regular basis and increase the consumer loyalty are essential in the market, which can be challenging for those premium modern teahouse brands.

OVERVIEW OF THE BAKED GOODS INDUSTRY IN CHINA

Baked goods include bread, pastries, dessert mixes and cakes. The baked goods market in China reached approximately RMB338.2 billion in 2020 and is expected to grow to RMB594.2 billion by 2025, according to the CIC Report, driven by product innovation catering to fast-changing consumer preferences, higher product quality with consumption upgrade, and more consumption scenarios such as pre-dinner, afternoon tea, coffee breaks or celebration events.

With the development of freshly-made tea shops, the retail consumption value of baked goods sold through freshly-made tea shops, has undergone a period of rapid growth, rising from RMB50.0 million in 2015 to RMB2.9 billion in 2020 with a CAGR of 126.0%. The retail consumption value of baked goods sold through premium modern teahouses increased from RMB34.1 million in 2015 to RMB2.0 billion in 2020. Products offered by certain leading premium modern teahouses are freshly made and baked in-store to ensure tastes and quality and have rapidly gained popularity among customers. In addition, with their baked products freshly-made in stores, these premium modern teahouses can constantly launch new products to meet customers' evolving tastes. Freshly-made tea shops, especially premium modern teahouses, are expected to become the fastest-growing channels for the sales of baked goods, with a retail consumption value reaching approximately RMB12.6 billion in 2025 at a CAGR of 33.6% from 2020 to 2025. A majority of such retail consumption value of baked goods sold through freshly-made tea shops is and will continue to be contributed by premium modern teahouses.

Nayuki has been promoting the concept of pairing freshly-made tea drinks with handcrafted baked goods in China. *Nayuki* ranked the first among freshly-made tea shops in terms of retail consumption value of baked goods in 2020, with a market share above 20%.

OVERVIEW OF THE RTD BEVERAGES AND PACKAGED FOOD INDUSTRY IN CHINA

The ready-to-drink (RTD) beverages include carbonates, fruit or vegetable juice, bottled water, functional drinks, RTD tea, RTD coffee, dairy products, and other RTD non-alcoholic drinks. The RTD beverages market in China, as measured by retail sales value, reached approximately RMB818.7 billion in 2020 and is expected to grow to RMB1,064.0 billion by 2025. Especially, e-commerce, and supermarket and convenient store chains are respectively the fastest-growing and the largest channel among all the channels in the RTD non-alcoholic beverages market in China, with the retail sales value reaching RMB49.9 billion and RMB465.7 billion, respectively, in 2020, and is expected to reach RMB110.1 billion and RMB584.0 billion by 2025, at CAGRs of 17.1% and 4.6% respectively.

Packaged food refers to packaged snacks, such as confectionery, biscuits, snack bars, fruit snacks, ice cream, frozen desserts, savoury snacks, processed meat and seafood, and processed fruit and vegetable. The retail sales value of the packaged food in China reached approximately RMB563.8 billion in 2020 and is expected to grow to RMB718.6 billion by 2025. Similar to the RTD beverages industry, e-commerce and supermarket and convenient store chains request the fastest-growing and the largest channel among all the channels in the packaged food market in China, reaching RMB100.4 billion and RMB314.9 billion, respectively, in 2020, and are expected to reach RMB201.2 billion and RMB365.8 billion by 2025, at CAGRs of 14.9% and 3.0% respectively.

Strong branding of the leading freshly-made tea shop chains enables themselves to extend further to other related markets. The freshly-made tea business has helped leading freshly-made tea shops to establish great brand awareness and good word-of-mouth among a large number of consumers, and has established the link between leading freshly-made tea shop brands with natural materials, high product quality and premium services. Furthermore, strong capabilities to launch innovative and quality products help such brands to attract consumers to new categories of consumer goods. Therefore, a large number of consumers are likely to accept leading freshly-made tea shops' extended markets.

Meanwhile, leading freshly-made tea shops' targeted group are young generation, who are also the savvy users of e-commerce and major consumers of new retail. Strong brand image and reputation, especially among young generation, can help leading freshly-made tea shops to extend sales on online channels as well as modern retailers.

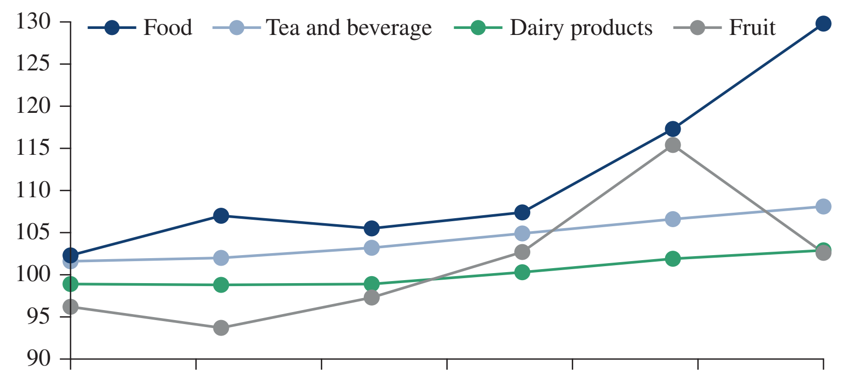
PRICE ANALYSIS OF RAW MATERIALS AND LABOR

The cost of raw materials represented a major cost for a freshly-made tea shop in China. The 2014 based consumer price index ("**CPI**") of food increased from 102.3 in 2015 to 129.8 in 2020.

The CPI of tea and beverage, as one of the main raw materials for a freshly-made tea shop, increased from 101.6 in 2015 to 108.1 in 2020. The CPI of dairy products, which represent another major category of raw materials, remained relatively stable during 2015 to 2020. In addition, the CPI of fruit, which is largely used in freshly-made tea shops, fluctuated between 93 and 116 in 2015-2020.

The chart below sets forth the CPI of major food ingredients of freshly-made tea shops in China.

CPI of raw materials, China, 2015-2020

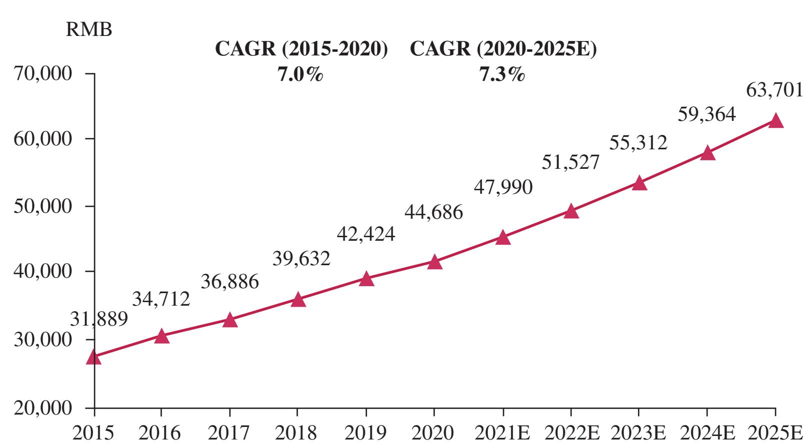


CPI (2014=100)	2015	2016	2017	2018	2019	2020
Food	102.3	107.0	105.5	107.4	117.3	129.8
Tea and beverage	101.6	102.0	103.2	104.9	106.6	108.1
Dairy products	98.9	98.8	98.9	100.3	101.9	102.9
Fruit	96.2	93.7	97.3	102.7	115.4	102.6

Source: National Bureau of Statistics, CIC Report

Along with the growth of China's economy, the average urban annual salary of labour working in the catering service and hospitality industry increased from RMB31,889 in 2015 to RMB44,686 in 2020, representing a CAGR of 7.0%. It is expected that the increasing trend will continue as a result of the continuous development of economy, urbanization, consumption upgrades and inflation. The chart below sets forth the historical annual income of labor in the catering service and hospitality industry in China.

Average urban annual salary of labour in the catering service and hospitality industry, China, 2015-2025E



Source: National Bureau of Statistics, CIC Report

OVERVIEW

We operate *Nayuki* teahouses, a leading premium modern teahouse chain in China serving freshly-made tea drinks. According to CIC, as of December 31, 2020, *Nayuki* had the most extensive premium modern teahouse network in China in terms of the number of cities covered. As of December 31, 2020, we operated 489 *Nayuki* teahouses in 66 cities across mainland China.

Our Group was co-founded by Mr. Zhao and Ms. Peng, who are a married couple. Mr. Zhao has extensive management experience in the food and beverage industry, while Ms. Peng has extensive branding and marketing and product development experience. For details of Mr. Zhao's and Ms. Peng's biography, see the section headed "Directors and Senior Management" of this Prospectus.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 5, 2019 to facilitate offshore financing and in preparation for the Global Offering. We opened our first *Nayuki* teahouse in Shenzhen in 2015.

BUSINESS DEVELOPMENT MILESTONES

The following sets forth certain key business milestones of our Group:

Year	**Milestone**
2014	In May, Shenzhen Pindao Management was established, which has been primarily engaged in the management and operation of our teahouse network in China.
2015	In November, we opened our first *Nayuki* teahouse in Shenzhen. By establishing our self-operated premium modern teahouses, we have since reshaped the tea-drinking experience by providing freshly-made tea drinks to our customers.
2017	In January, we completed the Series A round onshore financing from Beijing Tiantu and Chengdu Tiantu in a total amount of RMB70 million in Shenzhen Pindao Management.
	In January, our co-developed *Alishan Mountain Dew Tea* (阿里山初露) was awarded the first prize at the 2017 Taiwan Winter Tea Contest (2017年台灣冬茶比賽).
	In August, we completed the Series A+ round onshore financing from Chengdu Tiantu and Mr. Cao Minghui (曹明慧) in a total amount of RMB22 million in Shenzhen Pindao Management.

Year	**Milestone**
	In November, we broadened our network of *Nayuki* teahouses beyond the Guangdong Province and into other major cities of China, such as Shanghai and Beijing, which were welcomed by a large number of customers.
2018	By September, we were operating over 100 *Nayuki* teahouses and over 50 *Tai Gai* teahouses nationwide.
	By November, we completed the Series B-1 round onshore financing from Tiantu Dongfeng, Tiantu Xingnan and Tiantu Xingpeng in a total amount of RMB300 million in Shenzhen Pindao Management.
2019	In September, we rolled out our *Nayuki* membership program, which is fully integrated with our *Nayuki* teahouse network.
	In November, we opened our first *Nayuki* Fantasy Factory (奈雪夢工廠店) in Shenzhen, which attracted a long queue of *Nayuki* fans on the grand opening day. In the same month, we opened our first *Nayuki* teahouse on the Victoria Peak in Hong Kong, bringing our freshly-made tea drinks and a unique tea drinking experience to our fans in Hong Kong.
	In December, we contributed to the publication of the 2019 Whitepaper on Modern Tea Drink Consumption (2019新式茶飲消費白皮書).
	Nayuki received multiple business and industry awards over the course of 2019, including but not limited to the 2019 Annual Growth Award in China's Internet Consumption (2019中國互聯網消費商業力量年度增長力) by *CBNData*; and the 2019 Top Emerging Brand (2019新品牌之王) by *36Kr.com.*
2020	In April, we secured the Series B-2 financing from SCGC Investors (as defined below) in a total amount of RMB200 million in the Company.
	In June, we secured the Series B-2 financing from HLC (as defined below) in a total amount of US$5 million in the Company.
	In July, we opened our first Japanese *Nayuki* teahouse in Osaka, Japan. By September, we were operating over 400 *Nayuki* teahouses.

Year	Milestone
	In November, we opened our first two premium *Nayuki PRO* teahouses in Shenzhen, with streamlined layouts and a diversified core menu of tea drinks and other products, which marked a further step in our goal to make *Nayuki* an integral part of our customers' daily lives. In the same month, we launched *Nayuki* gift tea boxes online during the Double Eleven e-commerce festival, which were met with high demand.
	In December, we secured the Series C financing from PAGAC Nebula (as defined below) in a total amount of US$100 million in the Company.
	Nayuki received multiple business and industry awards over the course of 2020, including but not limited to the 2020 Top 10 Tea Drinks Brands in China Award (中國茶飲十大品牌) by the *World Federation of Chinese Catering Industry* (世界中餐業聯合會) and *canyin88.com* (紅餐網); the 2020 Top 100 Food and Beverage Brands in China Award (2020年度中國餐飲品牌力百強) by *canyin88.com* (紅餐網); and the 2019-2020 Annual Brands Award (年度品牌大獎) by *hooxiao.com* (虎嘯網).
2021	In January, we secured the Series C financing from HLC (as defined below) in a total amount of US$5 million in the Company.
	As of the Latest Practicable Date, we were operating over 500 *Nayuki* teahouses.
	As of the Latest Practicable Date, we had over 30 million members registered with our membership programs.

OUR MAJOR SUBSIDIARIES

The principal business activities of the major subsidiaries of our Group that made a material contribution to our results of operations during the Track Record Period were the operations of our *Nayuki* teahouses across China. Such major subsidiaries, which had accounted for 10% or more of either of our Group's total assets or revenue during the Track Record Period, are shown below. All of such major subsidiaries were incorporated in the PRC.

Name of major subsidiary	Date of establishment and commencement of business
深圳市品道餐飲管理有限公司 *Shenzhen Pindao Food & Beverage Management Co., Ltd.	May 12, 2014
深圳市台蓋餐飲管理有限公司 *Shenzhen Tai Gai Food & Beverage Management Co., Ltd.	April 21, 2016
武漢市台蓋餐飲管理有限公司 *Wuhan Tai Gai Food & Beverage Management Co., Ltd.	November 9, 2017
北京奈雪餐飲管理有限公司 *Beijing Nayuki Food & Beverage Management Co., Ltd.	November 13, 2017
上海奈雪餐飲管理有限公司 *Shanghai Nayuki Food & Beverage Management Co., Ltd.	December 5, 2017

**For identification purposes only*

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

We have not conducted any acquisitions, disposals or mergers since our inception that we consider to be material to us.

MAJOR CORPORATE DEVELOPMENT, SHAREHOLDING CHANGES AND REORGANIZATION OF OUR GROUP

Shenzhen Pindao Management

Our business operations in China were primarily conducted through our principal operating subsidiary, Shenzhen Pindao Management.

The following sets forth the major corporate history and shareholding changes of Shenzhen Pindao Management.

I. Incorporation in 2014

Our principal operating subsidiary, Shenzhen Pindao Management, primarily engages in the operation of teahouses. It was incorporated in the PRC on May 12, 2014, with an initial registered capital of RMB100 thousand which was held in the following manner.

Name of Shareholder	Amount of Registered Share Capital Subscribed	Percentage Ownership *(%)*
Mr. Zhao	RMB50,000	50.00
Ms. Peng	RMB50,000	50.00
Total	RMB100,000	100.00

II. Increase in the share capital in 2017

Pursuant to an investment agreement entered into between, among others, Shenzhen Pindao Management, Beijing Tiantu, Chengdu Tiantu, Mr. Zhao and Ms. Peng in January 2017, Beijing Tiantu and Chengdu Tiantu subscribed for additional registered capital of Shenzhen Pindao Management in respective amounts of RMB6,667 and RMB4,444, for a respective subscription price of RMB42 million and RMB28 million, which was determined on arm's-length basis. The investment was fully settled on January 20, 2017. The registration of alteration was completed on February 17, 2017.

III. Increase in the share capital in 2018

Pursuant to a capital injection agreement entered into between, among others, Mr. Zhao, Ms. Peng, Shenzhen Pindao Management, Chengdu Tiantu and Mr. Cao Minghui (曹明慧) in July 2017, Chengdu Tiantu and Mr. Cao Minghui (曹明慧) subscribed for additional registered capital of Shenzhen Pindao Management in respective amounts of RMB1,262 and RMB1,263, for a respective subscription price of RMB11 million and RMB11 million, which was determined on arm's-length basis. The investment was fully settled on August 2, 2017. The registration of alteration was completed on March 28, 2018.

IV. Further investment in 2018

From May to November 2018, Tiantu Dongfeng, Tiantu Xingnan and Tiantu Xingpeng agreed to subscribe for additional registered capital of Shenzhen Pindao Management for an aggregate investment consideration of RMB300 million (the "**Further Investment Agreements**"). Such investment amount was received by Shenzhen Pindao Management by November 8, 2018. However, no shares have been issued by Shenzhen Pindao Management. The Further Investment Agreements were subsequently superseded by the Reorganization Framework Agreement (defined below). Please see the subsection headed "Our Company – II. Issues of Series A, Series A+ and Series B-1 Preferred Shares" below for further details on the Shares of the Company subsequently issued to Tiantu Dongfeng, Tiantu Xingnan and Tiantu Xingpeng.

For subsequent shareholding changes of Shenzhen Pindao Management, please refer to the subsection headed "Reorganization" in this section. As a result of the Reorganization, Shenzhen Pindao Management became held as to 98.95% by Shenzhen Pindao Group and as to 1.05% by Pindao Holdings Hong Kong, respectively. As of the Latest Practicable Date, the results of operations of Shenzhen Pindao Management were consolidated into our Group.

Our Company

I. Establishment of our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on September 5, 2019 as the offshore holding company of our Group to facilitate offshore financing and in preparation for the Global Offering. The initial authorised share capital of our Company was US$50,000 divided into 1,000,000,000 ordinary shares with a par value of US$0.00005 each. On the same day, one Share was allotted and issued at par value to the initial subscriber which is an Independent Third Party and subsequently transferred to Ms. Peng at par value. 999,999,999 Shares were allotted and issued to Ms. Peng, fully paid, on September 5, 2019. On October 16, 2019, Ms. Peng transferred 1,000,000,000 Shares to Linxin Holdings, which is ultimately controlled as to 50% by Ms. Peng and 50% by Mr. Zhao, respectively.

II. Issues of Series A, Series A+ and Series B-1 Preferred Shares

On October 20, 2019, Shenzhen Pindao Management, Mr. Zhao Lin, Ms. Peng Xin, Mr. Cao Minghui (曹明慧), Chengdu Tiantu, Beijing Tiantu, Tiantu Dongfeng, Tiantu Xingnan and Tiantu Xingpeng entered into the Reorganization Framework Agreement, pursuant to which:

(i) the Further Investment Agreements were terminated and Shenzhen Pindao Management repaid the aggregate investment amount of RMB300 million under the Further Investment Agreement to Tiantu Dongfeng, Tiantu Xingnan and Tiantu Xingpeng; and

(ii) Shenzhen Pindao Management reduced its share capital and, as a result, repaid the aggregate initial investment amount of RMB92 million to Beijing Tiantu, Chengdu Tiantu and Mr. Cao Minghui (曹明慧) by January 8, 2021.

The above payments were then utilized by the respective investors to subscribe for certain preferred shares of the Company(1)(2) in accordance with applicable PRC laws and regulations. Pursuant to the subscription agreement dated October 26, 2020, the following investors agreed to subscribe for the respective Series A Preferred Shares, Series A+ Preferred Shares and Series B-1 Preferred Shares of the Company as set out below. The amounts of consideration were determined based on the initial investment amounts made by the applicable investors in Shenzhen Pindao Management. Such subscriptions were fully settled by January 13, 2021.

Name of Investor	**Number of Shares Issued**	**Consideration** *(RMB equivalent)*
Tiantu Xingli(1)	66,670,287 Series A Preferred Shares	42,000,000
Chengdu Tiantu	44,439,713 Series A Preferred Shares	28,000,000
	12,620,749 Series A+ Preferred Shares	11,000,000
Tiantu Dongfeng	13,290,371 Series B-1 Preferred Shares	60,000,000
Tiantu Xingnan	19,936,188 Series B-1 Preferred Shares	90,000,000
Tiantu Xingpeng	33,227,189 Series B-1 Preferred Shares	150,000,000

On October 26, 2020, the Company, our Controlling Shareholders and Forever Highness International Limited (永樂高國際有限公司) ("**Forever Highness International**") entered into a subscription agreement pursuant to which Forever Highness International subscribed for 12,630,019 Series A+ Preferred Shares of the Company(2) (the "**Forever Highness Agreement**"), for a total subscription price of RMB11 million, which was determined on arm's-length basis. Such subscription was fully settled on January 13, 2021.

Notes:

(1) With respect to the original investment of RMB42 million by Beijing Tiantu, Tiantu Xingli replaced Beijing Tiantu as the entity to subscribe for Shares of the Company. At all material times and as of the Latest Practicable Date, Beijing Tiantu held a majority of the economic interest as a limited partner of Tiantu Xingli. For details of the relationship among the Tiantu entities, please see the section headed "Substantial Shareholders" of this Prospectus.

(2) Since the original investment of RMB11 million by Mr. Cao Minghui (曹明慧) was repaid to him (the "**Divestment**") and Forever Highness International subscribed for the Series A+ Preferred Shares for a total subscription price of RMB11 million, the investment by Mr. Cao Minghui (曹明慧) in the Group was taken over by Forever Highness International. The Divestment by Mr. Cao Minghui (曹明慧) was a decision made by him personally due to changes in his personal investment arrangements. Given that Mr. Cao Minghui was initially introduced to the Company during the normal course of investment introductions by Ms. Wang (defined below), who ultimately controls Forever Highness International, the amount of consideration to be paid by Forever Highness International was negotiated on arm's length in good faith between Forever Highness International and the Company and was set to match the original investment consideration by Mr. Cao Minghui.

Mr. Cao is an independent investor with approximately 20 years of professional equity investment experience throughout a wide range of industries, including energy, real estate and consumer goods.

Mr. Cao Minghui (曹明慧) and Forever Highness International are Independent Third Parties of the Company. Furthermore, Mr. Cao Minghui (曹明慧) and Forever Highness International are independent of each other.

III. Issues of Series B-2 Preferred Shares

On April 23, 2020, each of SCGC Capital Holding Company Limited (SCGC資本控股有限公司) ("**SCGC Capital**"), GDHT Ventures Limited (紅土創投有限公司) ("**GDHT Ventures**"), FSJC Ventures Limited (紅土君晟創投有限公司) ("**FSJC Ventures**") and Shenzhen Red Earth Guangzhou Venture LLP (深圳市紅土光明創業投資基金合夥企業(有限合夥)) ("**Red Earth**") (together, the "**SCGC Investors**") agreed to subscribe for warrants of the Company (the "**Series B-2 Warrants**") which entitled each of the SCGC Investors to purchase certain Series B-2 Preferred Shares of the Company (the "**Warrants Purchase Agreement**"), for a consideration of the respective amount each loaned by the applicable SCGC Investor to Shenzhen Pindao Management under the Convertible Loan Agreement (as defined below).

On April 23, 2020, Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), Guangdong Hongtu Venture Capital Co., Ltd. (廣東紅土創業投資有限公司) and Foshan Hongtu Junsheng Venture Capital Enterprise (Limited Partnership) (佛山紅土君晟創業投資合夥企業(有限合夥)), being the respective designated affiliates of SCGC Capital, GDHT Ventures and FSJC Ventures under the Warrants Purchase Agreement, together with Red Earth, agreed to advance onshore loans of an aggregate principal amount of RMB200 million to Shenzhen Pindao Management in consideration of the issuance of the Series B-2 Warrants (the "**Convertible Loan Agreement**"). The aggregate principal amount under the Convertible Loan Agreement was received by Shenzhen Pindao Management by June 19, 2020.

On June 10, 2020, Red Earth assigned all of its rights and obligations under the Warrants Purchase Agreement to SCGC Capital by way of a deed of assignment.

Following the obtaining of the relevant outbound direct investment approvals and the completion of the foreign exchange registrations in accordance with applicable PRC laws and regulations, by January 11, 2021, Shenzhen Pindao Management repaid the respective onshore loans with zero interest onshore under the Convertible Loan Agreement to the SCGC Investors. The SCGC Investors then used the payments received from Shenzhen Pindao Management to settle the exercise price of the Series B-2 Warrants pursuant to the terms and conditions of the Warrants Purchase Agreement at consideration identical to their respective previous investment amounts. The total amount of such consideration was fully paid by the SCGC Investors on January 13, 2021 (the "**SCGC Share Purchase**").

On June 16, 2020, Court Card HK Limited ("**HLC**") agreed to purchase a convertible promissory note issued by the Company at a principal consideration amount of US$5 million. The convertible promissory note was entered into between HLC and the Company on July 16, 2020 (the "**Note**") and would mature upon the first anniversary of such date. The Note may not be transferred by HLC to any person which is not its affiliate without the written consent of the Company. The principal consideration amount of the Note was received by the Company on July 16, 2020. The Note was fully converted into Series B-2 Preferred Shares of the Company at a conversion price of US$0.6366 per share (the "**HLC Conversion**"). Given that the HLC Conversion has been consummated, no interest was charged on the Note.

Upon the consummations of the SCGC Share Purchase and the HLC Conversion, SCGC Capital, GDHT Ventures, FSJC Ventures and HLC were issued 19,395,844, 16,935,553, 12,096,824 and 7,854,226 Series B-2 Preferred Shares by us, respectively.

IV. Issue of Series C Preferred Shares

On December 15, 2020, pursuant to a share purchase agreement entered into, amongst others, the Company and PAGAC Nebula Holdings Limited ("**PAGAC Nebula**"), PAGAC Nebula agreed to subscribe for 72,497,876 Series C Preferred Shares of the Company at a price of US$1.1035 per share, for a total purchase consideration of US$80 million ("**PAG Share Subscription**"), which was determined on arm's-length basis. Such subscription was fully settled on December 31, 2020.

On December 15, 2020, pursuant to a secondary shares purchase agreement entered into among PAGAC Nebula, Mr. Zhao, Ms. Peng and Linxin Holdings, PAGAC Nebula agreed to purchase 18,124,469 Ordinary Shares from Linxin Holdings to be immediately re-designated as Series C Preferred Shares upon closing, for an aggregate purchase price of US$20 million ("**PAG Secondary Purchase**"), which was determined on arm's-length basis. Such consideration was fully settled on January 13, 2021.

Upon the consummations of the PAG Share Subscription and the PAG Secondary Purchase, PAGAC Nebula held 90,622,345 Series C Preferred Shares.

On January 13, 2021, pursuant to a shares purchase agreement entered into among HLC, Mr. Zhao, Ms. Peng and Linxin Holdings, HLC agreed to purchase 4,531,117 Ordinary Shares from Linxin Holdings to be immediately re-designated as Series C Preferred Shares upon closing, for an aggregate purchase price of US$5 million ("**HLC Secondary Purchase**"), which was determined on arm's-length basis. Such consideration was fully settled on January 13, 2021.

Please see the section headed "History, Reorganization and Corporate Structure – Pre-IPO Investments – III. Principal Terms of the Pre-IPO Investments" for a table illustrating the issuance of Series A Preferred Shares, Series A+ Preferred Shares, Series B-1 Preferred Shares, Series B-2 Preferred Shares and Series C Preferred Shares of the Company. Each Series A Preferred Share, Series A+ Preferred Share, Series B-1 Preferred Share, Series B-2 Preferred Share and Series C Preferred Share of the Company shall automatically be converted on a one-to-one basis by way of re-designation to Shares of the Company immediately prior to the completion of the Global Offering.

V. Issuance, surrender and transfer of Ordinary Shares

On June 1, 2020, pursuant to the 2020 Share Option Plan, an option award agreement was entered into between our Company and Mr. He Gang (何剛), our Chief Technology Officer, whereby the Company granted to Mr. He Gang an option to purchase 5,035,756 Ordinary Shares at the option price of US$0.3046 per Share (the "**CTO Option**"). The CTO Option was exercised by Mr. He Gang. On December 25, 2020, the 5,035,756 Ordinary Shares under the CTO Option were issued by the Company to Evermore Glory Limited, which is owned as to 50% by each of Mr. He Gang (何剛), our Chief Technology Officer, and his spouse, Ms. Ma Nicole Xiaoming (馬曉鳴), respectively. For details of the biography of Mr. He Gang (何剛), see the section headed "Directors and Senior Management" of this Prospectus. For details of the 2020 Share Option Plan, see section headed "Appendix IV – Statutory and General Information – D. Equity Incentive Plans – 1. Share Option Plan" in this Prospectus.

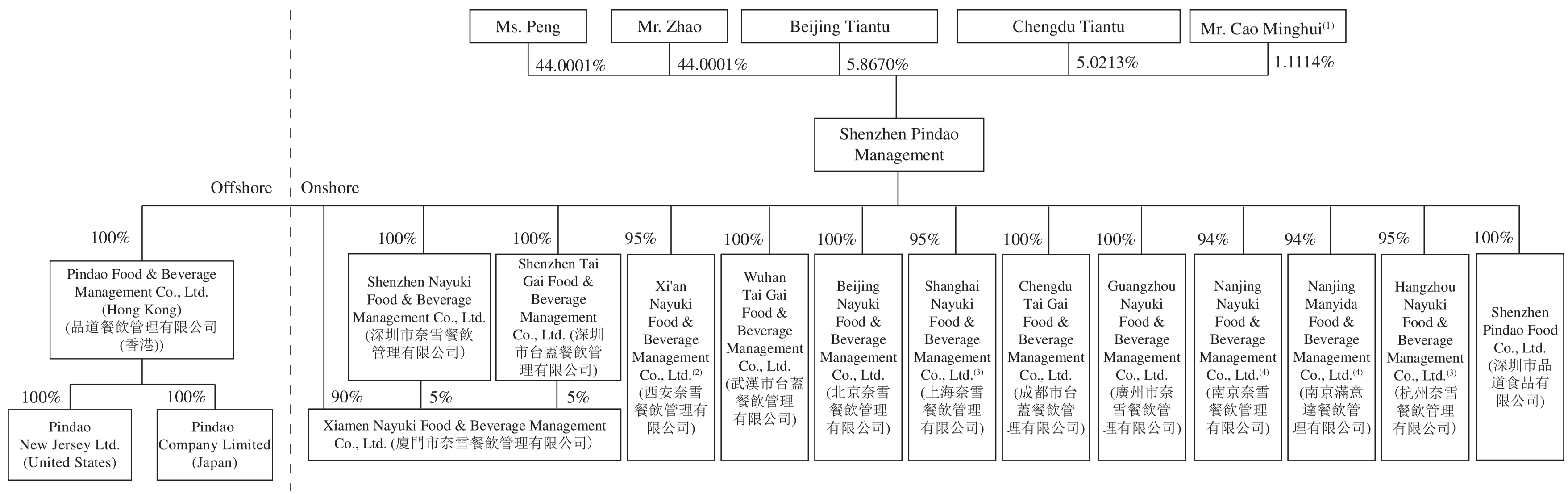
On December 25, 2020, the Company issued 121,226,552 Ordinary Shares to Forth Wisdom Limited, a company incorporated under the Laws of the British Virgin Islands as the Company's offshore employee incentive platform for the Equity Incentive Plans. Forth Wisdom Limited is wholly-owned by Zedra Holdings (Cayman) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Forth Wisdom Limited are exercised by Ms. Peng and Mr. Zhao. On May 26, 2021, Forth Wisdom Limited surrendered 29,495,144 Ordinary Shares to the Company, which were immediately cancelled. For details of the Equity Incentive Plans, see section headed "Appendix IV – Statutory and General Information – D. Equity Incentive Plans" in this Prospectus.

On May 26, 2021, the Company issued 29,495,144 Ordinary Shares to Crystal Tide Profits Limited, a platform holding Shares for future benefit to employees, advisors and consultants as the Board deems fit. Crystal Tide Profits Limited is wholly-owned by Trident Trust Company (HK) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Crystal Tide Profits Limited is exercised by Ms. Peng.

On May 26, 2021, Linxin Holdings transferred 977,344,414 Ordinary Shares to Linxin Group.

REORGANIZATION

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the commencement of the Reorganization.



Notes:

(1) Mr. Cao Minghui (曹明慧) is an Independent Third Party.

(2) The remaining equity interests of Xi'an Nayuki Food & Beverage Management Co., Ltd. (西安奈雪餐飲管理有限公司) were held as to 5% by Mr. Zhang Zhijian (張志建), an employee of our Group.

(3) The remaining equity interests of Shanghai Nayuki Food & Beverage Management Co., Ltd. (上海奈雪餐飲管理有限公司) and Hangzhou Naixue Food & Beverage Management Co., Ltd. (杭州奈雪餐飲管理有限公司) were held as to 5% by Mr. Liu Wen (劉文), an employee of our Group, respectively.

(4) The remaining equity interests of Nanjing Nayuki Food & Beverage Management Co., Ltd. (南京奈雪餐飲管理有限公司) and Nanjing Manyida Food & Beverage Management Co., Ltd. (南京滿意達餐飲管理有限公司) were held as to 1% by Shenzhen Nayuki Food & Beverage Management Co., Ltd. (深圳市奈雪餐飲管理有限公司) and as to 5% by Mr. Liu Wen (劉文).

In anticipation of our Listing, we underwent the following Reorganization steps:

I. Establishment of Pindao Holdings BVI and Pindao Holdings Hong Kong

On September 5, 2019, Pindao Holdings BVI was incorporated in the BVI. It was authorized to issue a maximum of 50,000 shares at a par value of US$1.00 each, of which 1 share in total was allotted and issued to our Company. Pindao Holdings BVI is wholly-owned by our Company.

On October 9, 2019, Pindao Holdings Hong Kong was incorporated in Hong Kong. It issued and allotted 10,000 shares to Pindao Holdings BVI. Pindao Holdings Hong Kong is wholly-owned by Pindao Holdings BVI.

II. Establishment of Shenzhen Pindao Group

On December 17, 2019, Pindao Holdings Hong Kong established a wholly foreign owned enterprise, Shenzhen Pindao Group, in the PRC with a registered share capital of RMB10 million. Pindao Holdings Hong Kong owned all the shares in Shenzhen Pindao Group.

III. Reduction in the share capital of Shenzhen Pindao Management and issues of Series A, Series A+ and Series B-1 Preferred Shares by the Company

Upon completion of registration with the Shenzhen Administration for Market Regulation (深圳市市場監督管理局) in the PRC on October 29, 2020, Shenzhen Pindao Management reduced its share capital and repaid the investment to certain Pre-IPO Investors and such Pre-IPO Investors, in turn, utilized such payment to subscribe for Series A, Series A+ and Series B-1 Preferred Shares of the Company. See the subsection headed "the Company – Issues of Series A, Series A+ and Series B-1 Preferred Shares" for details. Subsequent to the share reduction, Mr. Zhao and Ms. Peng each held 50% of the equity interests of Shenzhen Pindao Management.

IV. Conversion of Shenzhen Pindao Management into a Sino-Foreign Joint Venture Company

Pursuant to the capital injection agreement dated November 18, 2020 entered into between Forever Highness Hong Kong Limited (永樂高香港有限公司) ("**Forever Highness HK**"), Shenzhen Pindao Management, Mr. Zhao and Ms. Peng, Forever Highness HK agreed to subscribe for 1.05% interest in Shenzhen Pindao Management for a consideration of RMB11 million, which was determined based on arm's length negotiation between the parties. Forever Highness HK is a company with limited liability wholly-owned by Forever Highness International. Forever Highness HK became a shareholder of Shenzhen Pindao Management on November 18, 2020, and the registration with the Shenzhen Administration for Market Regulation (深圳市市場監督管理局) in the PRC was completed on December 8, 2020. The subscription amount was fully paid by Forever Highness HK on January 13, 2021.

On December 22, 2020, Shenzhen Pindao Group further subscribed shares representing 91.50% interests in Shenzhen Pindao Management. On January 19, 2021, Shenzhen Pindao Group injected RMB100,000,000 into Shenzhen Pindao Management.

Following the above-mentioned capital injections, Shenzhen Pindao Management's shareholding structure was as follows:

Shareholder	Subscribed registered capital	Investment amount	Approximate percentage of shareholding *(%)*
Mr. Zhao	RMB50,000	RMB50,000	3.72
Ms. Peng	RMB50,000	RMB50,000	3.72
Forever Highness Hong Kong Limited	RMB14,103	RMB11,000,000	1.05
Shenzhen Pindao Group	RMB1,228,950	RMB958,581,300(1)	91.50
Total	RMB1,343,053	RMB969,681,300	100.00

Note:

(1) The full consideration for the subscription by Shenzhen Pindao Group was RMB958,581,300, of which RMB100,000,000 was fully paid up.

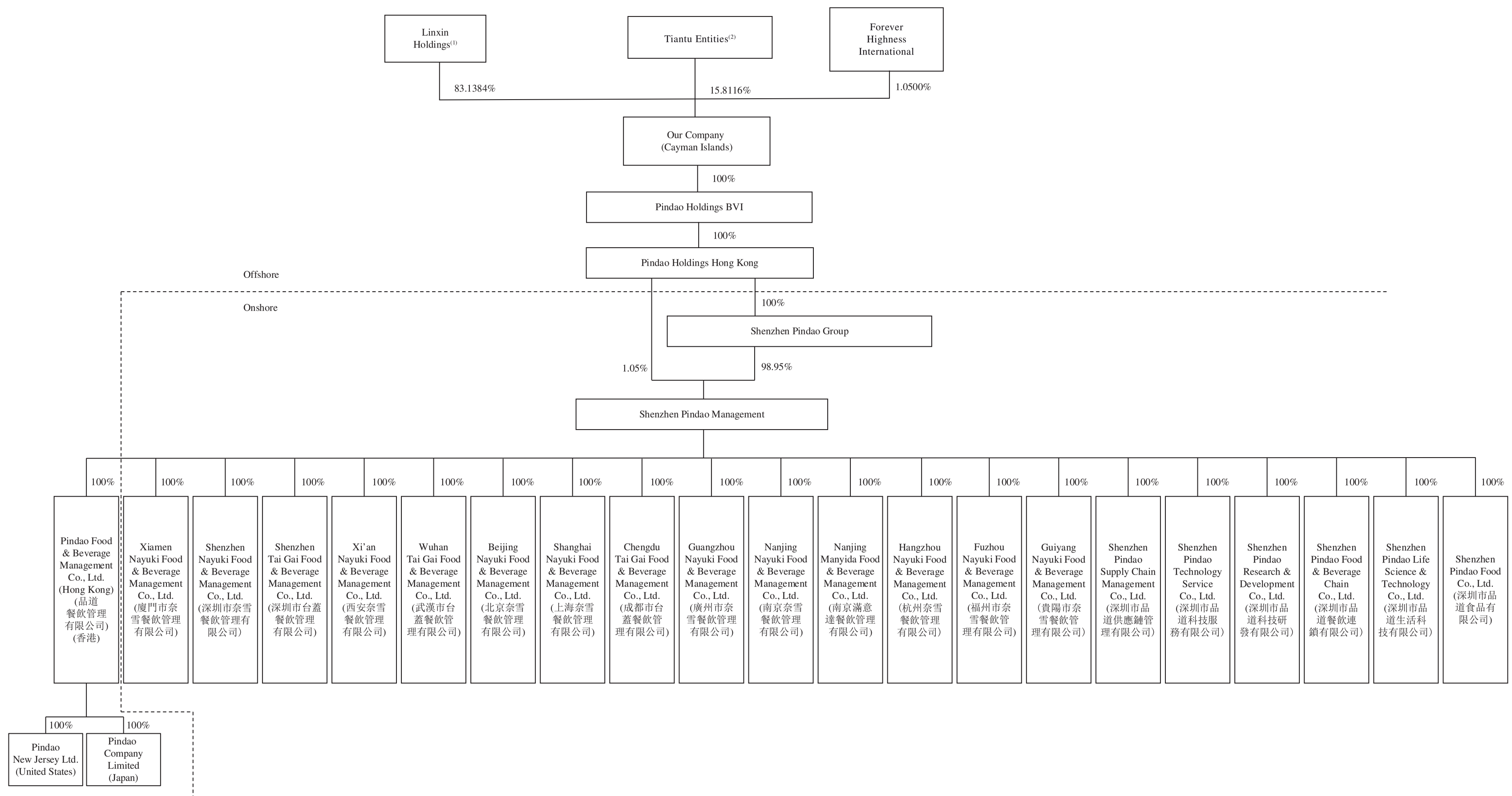
V. Further changes in the shareholding of Shenzhen Pindao Management

On January 13, 2021, Forever Highness Hong Kong Limited transferred its 1.05% interest in Shenzhen Pindao Management to Pindao Holdings Hong Kong. The registration of alteration was completed on January 21, 2021 by the relevant Administration for Market Regulation.

On January 18, 2021, Mr. Zhao and Ms. Peng agreed to transfer their entire shareholding in Shenzhen Pindao Management, which accounted for 7.446% of its registered capital, with a total consideration of RMB100,000 to Shenzhen Pindao Group. The consideration was determined with reference to Shenzhen Pindao Management's registered capital. The registration of alteration was completed on January 25, 2021 by the relevant Administration for Market Regulation.

Upon completion of the above-mentioned transfer, Shenzhen Pindao Management was held as to 98.95% and 1.05% by Shenzhen Pindao Group and Pindao Holdings Hong Kong, respectively.

The following chart sets forth our Group's corporate and shareholding structure immediately after completion of the Reorganization.



Notes:

(1) Linxin Holdings Limited (林心控股有限公司), a company incorporated in the BVI on September 5, 2019, is a holding company ultimately controlled as to 50% by each of Mr. Zhao and Ms. Peng, respectively.

(2) Tiantu Entities include Tiantu Xingli, Chengdu Tiantu, Tiantu Dongfeng, Tiantu Xingnan and Tiantu Xingpeng. For details of relationships between these entities, see the section headed "Substantial Shareholders".

REASONS FOR THE LISTING

Our Board is of the view that the Global Offering will provide us with further capital to expand our teahouse network and enhance our business operations in every major aspect, with a view to maintain our leadership in China's premium modern teahouse industry.

PRE-IPO INVESTMENTS

I. Overview

Our Company underwent several rounds of Pre-IPO Investments as described above in "Major Corporate Development, Shareholding Changes and Reorganization of Our Group – Our Company" in this section.

II. Capitalization of the Company

The below table is a summary of the capitalization of the Company(1)(2):

	As of the Latest Practicable Date(1)							As of the Listing Date(2)	
Shareholders	Ordinary Shares	Series A Preferred Shares	Series A+ Preferred Shares	Series B-1 Preferred Share	Series B-2 Preferred Share	Series C Preferred Share	Aggregate ownership percentage	Aggregate number of shares	Ownership percentage
Linxin Group(3)	977,344,414	–	–	–	–	–	67.04%	977,344,414	56.98%
Forth Wisdom Limited(4)	91,731,408	–	–	–	–	–	6.29%	91,731,408	5.35%
Crystal Tide Profits Limited(5)	29,495,144	–	–	–	–	–	2.02%	29,495,144	1.72%
Tiantu Xingli(6)	–	66,670,287	–	–	–	–	4.57%	66,670,287	3.89%
Chengdu Tiantu(6)	–	44,439,713	12,620,749	–	–	–	3.91%	57,060,462	3.33%
Forever Highness International	–	–	12,630,019	–	–	–	0.87%	12,630,019	0.74%
Tiantu Dongfeng(6)	–	–	–	13,290,371	–	–	0.91%	13,290,371	0.77%
Tiantu Xingnan(6)	–	–	–	19,936,188	–	–	1.37%	19,936,188	1.16%
Tiantu Xingpeng(6)	–	–	–	33,227,189	–	–	2.28%	33,227,189	1.94%
SCGC Capital	–	–	–	–	19,395,844	–	1.33%	19,395,844	1.13%
FSJC Ventures	–	–	–	–	12,096,824	–	0.83%	12,096,824	0.70%
GDHT Ventures	–	–	–	–	16,935,553	–	1.16%	16,935,553	0.99%
HLC	–	–	–	–	7,854,226	4,531,117	0.85%	12,385,343	0.72%
PAGAC Nebula	–	–	–	–	–	90,622,345	6.22%	90,622,345	5.28%
Evermore Glory Limited(7)	5,035,756	–	–	–	–	–	0.35%	5,035,756	0.29%
Other Public Shareholders	–	–	–	–	–	–	–	257,269,000	15.00%

Notes:

(1) Based on the assumption that each of the Series A Preferred Share, Series A+ Preferred Share, Series B-1 Preferred Share, Series B-2 Preferred Share and Series C Preferred Share will be converted into Shares on a one-to-one basis by way of re-designation to Shares upon the Global Offering becoming unconditional.

(2) Calculated after taking into account the Shares to be issued pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised.

(3) Linxin Group, a company incorporated in the BVI on December 29, 2020, is a holding company wholly-owned by Linxin International, a holding company incorporated in the BVI, which is in turn wholly-owned by Linxin Trust. Linxin Trust is an irrevocable discretionary trust established in Guernsey on December 30, 2020, the beneficiary of which is Linxin Holdings, a holding company ultimately controlled as to 50% by each of Mr. Zhao and Ms. Peng, respectively.

(4) Forth Wisdom Limited is a company incorporated under the Laws of the British Virgin Islands as the Company's offshore employee incentive platform for the Equity Incentive Plans. Forth Wisdom Limited is wholly-owned by Zedra Holdings (Cayman) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Forth Wisdom Limited are exercised by Ms. Peng and Mr. Zhao.

Pursuant to the terms of the 2020 Share Option Plan, such plan is subject to the administration of a duly authorized committee of the Board and the trustee. The Shareholders and the Board of the Company have approved that such committee shall consist of Mr. Zhao and Ms. Peng. In addition, the Shareholders and the Board have also approved the establishment of Forth Wisdom Trust and authorized Ms. Peng to administer the trust. Through passing the above resolutions, the Shareholders and the Board authorized Mr. Zhao and Ms. Peng to give instructions to the trustee and, effectively, control the voting rights of the Shares held by Forth Wisdom Limited.

(5) Crystal Tide Profits Limited is a company incorporated under the Laws of the British Virgin Islands as a platform holding Shares for future benefit to employees, advisors and consultants as the Board deems fit. Crystal Tide Profits Limited is wholly-owned by Trident Trust Company (HK) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Crystal Tide Profits Limited are exercised by Ms. Peng.

(6) Tiantu Entities include Tiantu Xingli, Chengdu Tiantu, Tiantu Dongfeng, Tiantu Xingnan and Tiantu Xingpeng. For details of relationships between these entities, see the section headed "Substantial Shareholders".

(7) Evermore Glory Limited is a company incorporated under the Laws of the British Virgin Islands and is owned as to 50% by each of Mr. He Gang (何剛), our Chief Technology Officer, and his spouse, Ms. Ma Nicole Xiaoming (馬曉鳴), respectively. Evermore Glory Limited is administered by Mr. He Gang. Please see the subsection headed "Our Company – V. Issuance, surrender and transfer of Ordinary Shares" above for details of the issuance of Ordinary Shares to Mr. He Gang, which are held under Evermore Glory Limited.

III. Principal Terms of the Pre-IPO Investments

	Series A Preferred Shares		Series A+ Preferred Shares		Series B-1 Preferred Shares	Series B-2 Preferred Shares		Series C Preferred Shares		
Names of investors	Tiantu Xingli	Chengdu Tiantu	Chengdu Tiantu	Forever Highness International	Tiantu Dongfeng; Tiantu Xingnan and Tiantu Xingpeng	SCGC Capital; GDHT Ventures; FSJC Ventures	HLC	PAGAC Nebula		HLC
Date of the offshore investment agreement	October 26, 2020	October 26, 2020	October 26, 2020	October 26, 2020	October 26, 2020	April 23, 2020	June 16, 2020	December 15, 2020	December 15, 2020	January 13, 2021
Date on which the investment was fully settled(1)	January 11, 2021	January 11, 2021	January 11, 2021	January 13, 2021	January 13, 2021	January 13, 2021	July 16, 2020	December 31, 2020	January 13, 2021	January 13, 2021
Cost per share paid	RMB0.6300	RMB0.6300	RMB0.8716	RMB0.8709	RMB4.5144	US$0.6366	US$0.6366	US$1.1035	US$1.1035	US$1.1035
Total consideration	RMB42 million	RMB28 million	RMB11 million	RMB11 million	RMB300 million	US$30.83 million	US$5 million	US$80 million	US$20 million	US$5 million
Implied valuation of each round of investment(2)	RMB0.70 billion	RMB0.70 billion	RMB0.99 billion	RMB0.99 billion	RMB6.0 billion	US$0.88 billion	US$0.88 billion	US$1.61 billion	US$1.61 billion	US$1.61 billion
Discount to the Offer Price(3)(4)	95.9%	95.9%	94.3%	94.3%	70.3%	73.3%	73.3%	53.7%	53.7%	53.7%
Number of shares purchased	66,670,287	44,439,713	12,620,749	12,630,019	66,453,748	48,428,221	7,854,226	72,497,876	18,124,469	4,531,117

	Series A Preferred Shares	Series A+ Preferred Shares	Series B-1 Preferred Shares	Series B-2 Preferred Shares	Series C Preferred Shares
Basis of determination of the consideration	The consideration was determined based on arm's length negotiation between the Pre-IPO Investors and our Group with reference to the timing of the investments, the valuation of our business and operating entities at the relevant time and, where applicable, certain original consideration of historical investments in Shenzhen Pindao Management.[(4)]				
Use of proceeds from the Pre-IPO Investments	We utilized the proceeds from the Pre-IPO Investments for the operations and general working capital purpose of our Group. As of the Latest Practicable Date, approximately 64.44% of the funds raised from the Pre-IPO Investments have been utilized.				
Strategic benefit from the Pre-IPO Investment to our Group	At the time of the Pre-IPO Investments, our Group was of the view that we could benefit from the additional capital that would be provided by the Pre-IPO Investors and that we could take advantage of the knowledge and experience of the Pre-IPO Investors. Our Pre-IPO Investors include experienced investors covering consumer goods, innovative consumption and new retail industries in addition to food & beverage and franchising businesses, who can share their experience on brand building and market expansion as well as their insight on business strategies workplace operations, along with professional institutional investors who can provide us with professional advice on our Group's corporate governance, financial reporting and internal control. Moreover, our Directors were also of the view that our Company could benefit from the Pre-IPO Investments as the Pre-IPO Investors' investments demonstrated their confidence in the operations of our Company and served as an endorsement of our Company's performance, strengths and prospects.				
Lock-up	The Pre-IPO Investors have undertaken not to transfer any Shares it holds for a period of six months following the completion of the Global Offering.				

Notes:

(1) For the avoidance of doubt, the date of which the respective investment was fully settled represents the date of which such investment was settled offshore taking Reorganization into account and does not represent the date on the corresponding initial investment amounts onshore were received by Shenzhen Pindao Management (if any).

(2) The implied valuation is the value of our Company after the completion of the relevant Pre-IPO Investment, which is equal to the sum of the pre-money valuation and the amount of relevant Pre-IPO Investment.

(3) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK$18.50 per Share, being the mid-point of the indicative Offer Price range of HK$17.20 to HK$19.80

(4) The amounts settled by the Pre-IPO Investors, which in turn affects the discount to the Offer Price received by each Pre-IPO Investor, were based on arm's length negotiations between such Pre-IPO Investor and the Company, which were affected by the valuation of our Company at such particular point in time as well as other macroeconomic considerations.

With respect to the Series A Preferred Shares and Series A+ Preferred Shares, the consideration amounts were determined based on the initial investment amounts by the applicable investors in Shenzhen Pindao Management, which were settled in 2017, while the consideration paid by Forever Highness International was negotiated on arm's length in good faith between Forever Highness International and the Company to match the original investment consideration by Mr. Cao Minghui. For details, please see the subsection headed "Our Company – II. Issues of Series A, Series A+ and Series B-1 Preferred Shares".

With respect to the Series B-1 Preferred Shares and Series B-2 Preferred Shares, the consideration amounts were negotiated in 2018 and in the first half of 2020, respectively, with the relevant Pre-IPO Investors, all of whom are sophisticated, experienced, institutional investors, through arm's length negotiations on a fair and reasonable basis. Such consideration amounts were based on the valuation of our Company at the time of the investment, taking into account the timing of the investment, the then status of the businesses carried out by our Group, the outlook/growth potential of our Group and the industry in which we operate in. The increase in valuation of our Company was supported by the significant increase in number of *Nayuki* teahouses operated by our Group and new business initiatives implemented by our Group, such as the opening of our first *Nayuki* Fantasy Factory in 2019.

The consideration amounts for the Series C Preferred Shares were negotiated at the end of 2020, which were higher than that negotiated in the first half of 2020 given that the Company was already able to demonstrate steady post-pandemic recovery by September 2020 as well as strong expansion into previously underpenetrated areas, including the Company's launch of *Nayuki PRO* teahouses in November 2020.

IV. Special rights

The Pre-IPO Investors have been granted special rights under the second amended and restated shareholders and investors rights agreement dated January 13, 2021 (the "**Shareholders Agreement**"), such as information rights, right to elect directors, right of first refusal, redemption rights and participation right.

All such shareholder rights (other than redemption rights) shall terminate and be of no further force or effect immediately before or upon the consummation of a "qualified public offering". The redemption rights under the Shareholders Agreement shall terminate and be of no further force or effect immediately before the Company submits its application for the listing of our Shares on the Stock Exchange (the "**Submission**"), provided in the event where the Submission is withdrawn, rejected, lapses and is not renewed within a prescribed period of time, or the Company fails to consummate the Global Offering, such redemption rights shall automatically be reinstated in full.

A "qualified public offering" is defined as the Company's first firm commitment underwritten public offering on the Stock Exchange, the NASDAQ, the New York Stock Exchange or such other internationally recognized stock exchange as permitted or approved by the Board and PAGAC Nebula jointly, which values the Company at a pre-offering valuation agreed by the Pre-IPO Investors as provided under the Shareholders Agreement.

V. Information about the Pre-IPO Investors

Tiantu Entities

Tiantu Xingli, Chengdu Tiantu, Tiantu Dongfeng, Tiantu Xingnan and Tiantu Xingpeng, each a limited partnership established under the Laws of the PRC, are collectively referred to as the "Tiantu Entities." Shenzhen Tiantu Capital Management Center (Limited Partnership) (深圳天圖資本管理中心(有限合夥)), which is in turn wholly-owned by Tian Tu Capital Co., Ltd. (NEEQ stock code: 833979), is the general partner of each of the Tiantu Entities. As such, Tian Tu Capital Co., Ltd. and Shenzhen Tiantu Capital Management Center (Limited Partnership) (深圳天圖資本管理中心(有限合夥)) are deemed to have an interest in all the Shares held by the Tiantu Entities. For details on the shareholding structure and relationship among the Tiantu Entities, please see the section headed "Substantial Shareholders" of this Prospectus. The Tiantu Entities are investment funds whose primary purpose is to make equity investments, with a focus in the field of consumer goods in the PRC covering innovative consumption, new retail and consumer finance.

SCGC Entities

SCGC Capital, GDHT Ventures and FSJC Ventures, each a company incorporated under the Laws of the British Virgin Islands, are collectively referred to as the "SCGC Entities." The SCGC Entities are each controlled by Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), which was established in 1999 by the Shenzhen Municipal Government with a focus on venture capital investment to nurture entrepreneurship and innovation. The SCGC Entities are investment funds whose primary purpose is to make equity investments, with a focus on innovative growth-oriented enterprises.

HLC

HLC is a limited liability company incorporated under the Laws of Hong Kong and is wholly owned by HLC Partners III L.P., a limited partnership formed under the laws of the Cayman Islands and whose primary purpose is to make equity investments with a focus on healthcare and consumer technology, which is ultimately managed by its general partner HLC GP III Company Limited. As of the Latest Practicable Date, the largest limited partners of HLC Partners III L.P. were Beijing Azalea Management Consulting Corporation (北京哲聯管理諮詢有限責任公司) and Noah Highlight Fund III L.P., holding 9.19% and 9.42% interest in HLC Partners III L.P., respectively. Beijing Azalea Management Consulting Corporation (北京哲聯管理諮詢有限責任公司), principally engaged in the equity investment, investment management and investment consulting, is a limited liability company incorporated in the PRC and is ultimately controlled by the State Council of the PRC. Noah Highlight Fund III L.P. is a US denominated feeder vehicle. As of the Latest Practicable Date, the other limited partners of HLC Partners III L.P. include corporate investors, institutional investors as well as individual investors, all of whom held minority interests in HLC Partners III L.P.. Based on the Company's knowledge after due enquiry, such other limited partners are Independent Third Parties.

HLC GP III Company Limited is a limited liability company incorporated in the Cayman Islands. HLC GP III Company Limited holds 3% interest in HLC Partners III L.P. and is 100% owned by Mr. Wang Stephen Hui (王暉). Mr. Wang Stephen Hui has nearly 20 years of experience in healthcare and consumer technology investment. Mr. Wang Stephen Hui holds the ultimate beneficial ownership of a number of limited liability companies incorporated in the Cayman Islands which act as general partner to general partnership investment funds, with an aggregate of over US$1.5 billion of assets under management as of the Latest Practicable Date, and its portfolio companies include Shenzhen Mindray Bio-Medical Electronics Co., Ltd. (stock code: 300760.SZ), Pharmaron Beijing Co., Ltd (stock code: 3759.HK; 300759.SZ), Hangzhou Tigermed Consulting Co., Ltd. (stock code: 3347.HK; 300347.SZ) and Smoore International Holdings Limited (stock code: 6969.HK).

Forever Highness International

Forever Highness International is an special purpose vehicle incorporated in the British Virgin Islands on July 2, 2015 and ultimately controlled by Wang Xinting, an Independent Third Party. Forever Highness International is an investment holding company whose primary purpose is to make equity investments, including consumer goods businesses.

PAGAC Nebula

PAGAC Nebula, a company incorporated in the British Virgin Islands on November 25, 2020, is owned by a discretionary investment fund managed by PAG, a diversified private investment firm which manages US$40 billion in assets for institutional investors from around the world. PAG focuses on investing in Asia and has extensive experience investing in the region's capital markets.

VI. Public Float

Upon completion of the Global Offering (assuming the Over-allotment Option is not exercised), the Tiantu Entities will hold, in aggregate, approximately 11.09% of the total issued Shares, and such Shares will not be counted towards the public float.

Save as disclosed above in this section, except for the Tiantu Entities, all other Pre-IPO Investors are not connected persons of our Company and such Shares held by them will constitute part of the public float for the purposes of Rule 8.08 of the Listing Rules. Details of the Company's public float upon Listing are listed below.

	Shareholding immediately prior to the Global Offering	**Shareholding immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)**
PAGAC Nebula	6.22%	5.28%
SCGC Entities	3.32%	2.82%
Forever Highness International	0.87%	0.74%
HLC	0.85%	0.72%
Evermore Glory Limited	0.35%	0.29%
Other Public Shareholders	0%	15.00%
Total	11.60%	24.86%

VII. Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirm that the Pre-IPO Investments are in compliance with the Guidance Letter HKEX-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and Guidance Letter HKEX-GL44-12 issued in October 2012 and in March 2017 by the Stock Exchange.

PRC LEGAL COMPLIANCE

Our PRC Legal Advisor confirmed that (i) the establishment of our subsidiaries in China and their subsequent shareholding changes have complied with the relevant PRC laws and regulations in all material respects; and (ii) the Reorganization has complied with relevant applicable PRC laws and regulations in all material respects.

SAFE REGISTRATION

Pursuant to the SAFE Circular No. 37, before a PRC resident contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**"), the PRC resident must conduct foreign exchange registration for offshore investment with the local branch of SAFE. Where a significant matter occurs such as a capital increase/decrease or equity transfer/replacement by a domestic resident individual, the foreign exchange modification registration procedure for foreign investment shall be undertaken with the local branch of SAFE in a timely manner. Pursuant to the Circular of SAFE on Further Simplification and Improvement Policies in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular No. 13**") issued by SAFE and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks instead of the local branch of SAFE.

Our PRC Legal Advisor have confirmed that Mr. Zhao and Ms. Peng, being PRC residents, have duly completed the original registrations in respect of his/her investment in our Group in accordance with SAFE Circular No. 37 and SAFE Circular No. 13 on November 18, 2019.

M&A RULES

According to Article 2 of the M&A Rules jointly issued by six PRC governmental and regulatory agencies, including MOFCOM and CSRC, which became effective on September 8, 2006 and amended on June 22, 2009, foreign investors should comply with the M&A Rules and other applicable PRC laws and regulations when the foreign investors purchase equity interests in a domestic non-foreign-invested enterprise ("**domestic company**") or subscribes for increased capital of a domestic company, thus changing the nature of the domestic company into a foreign-invested enterprise ("**merger and acquisition of equity interests**"); or when the foreign investors establish a foreign-invested enterprise in the PRC, through which they purchase and operate the assets of a domestic company by agreement; or when foreign investors purchase the assets of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets.

Our PRC Legal Advisor is of the opinion that prior CSRC approval for this offering is not required because (i) Shenzhen Pindao Group was incorporated as a foreign-invested enterprise without involving acquisition of the equity or assets of a "PRC domestic company", as such term is defined under the M&A Rules, and (ii) Shenzhen Pindao Management was incorporated as a PRC domestic company and became a sino-foreign equity joint venture in December 2020 in compliance with the M&A Rules. In January 2021, Shenzhen Pindao Group and Pindao Holdings Hong Kong acquired the equity interest in Shenzhen Pindao Management, which is a sino-foreign equity joint venture, such that the M&A Rules are not applicable. As a result, we did not seek prior CSRC approval for this offering.

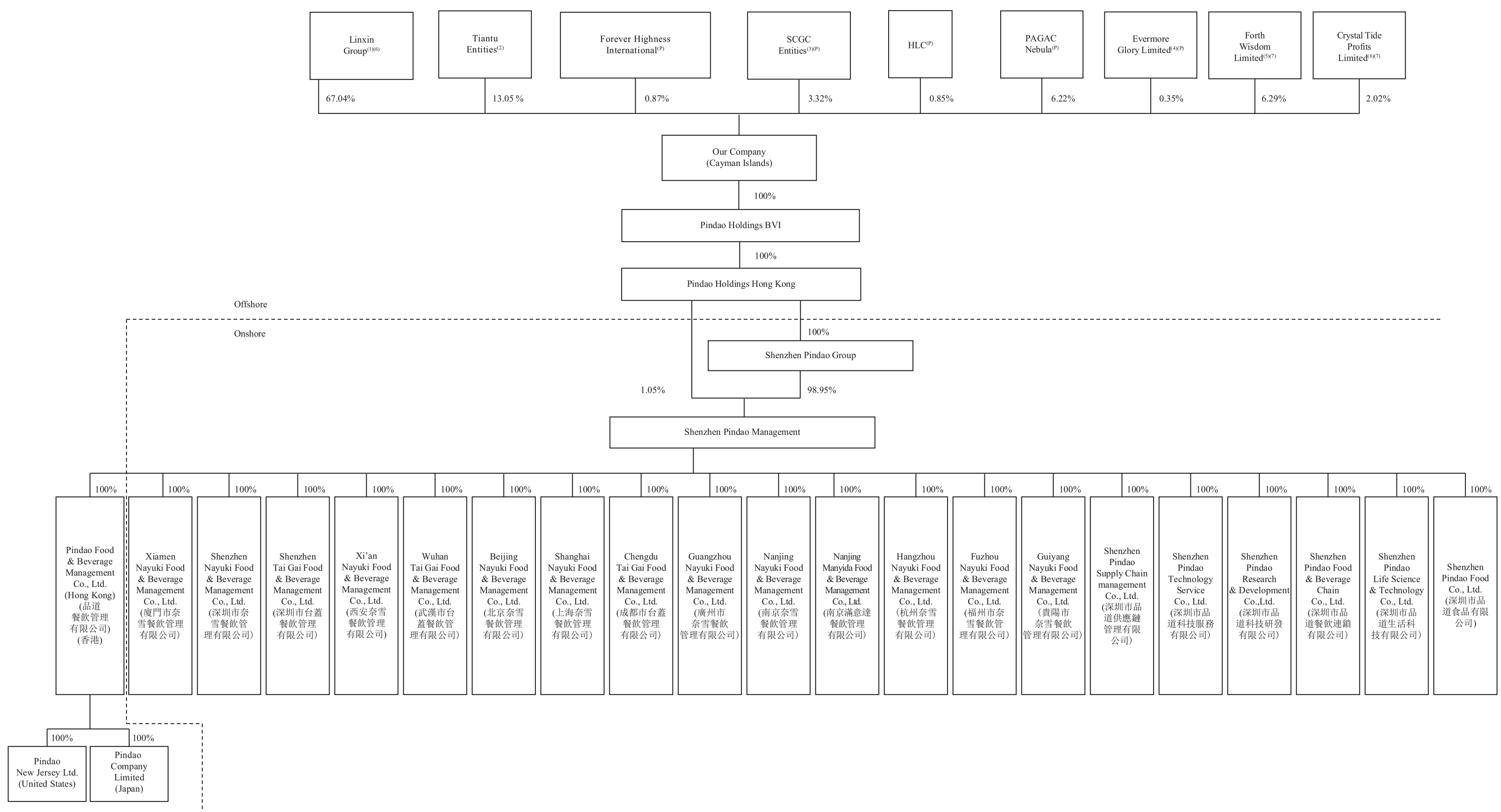
EQUITY INCENTIVE PLANS

Our Company adopted the 2020 Share Option Plan and the 2020 Share Incentive Plan by way of resolutions of the Board on May 15, 2020 to recognize and reward the participants for their contributions to our Group, to attract suitable personnel and to provide incentives to them to remain with and further contribute to our Group.

The maximum number of Shares subject to the Equity Incentive Plans shall not exceed 126,262,308 Shares. The principal terms and the list of grantees as of the Latest Practicable Date under the Equity Incentive Plans are set out in the section headed "Statutory and General Information – D. Equity Incentive Plans" in this Prospectus.

OUR CORPORATE AND SHAREHOLDING STRUCTURE

The following chart sets forth our Group's corporate and shareholding structure immediately prior to the Global Offering.



Notes:

(1) Linxin Group, a company incorporated in the BVI on December 29, 2020, is a holding company wholly-owned by Linxin International, a holding company incorporated in the BVI on December 29, 2020, which is in turn wholly-owned by Linxin Trust. Linxin Trust is an irrevocable discretionary trust established in Guernsey on December 30, 2020, the beneficiary of which is Linxin Holdings, a holding company ultimately controlled as to 50% by each of Mr. Zhao and Ms. Peng, respectively. The voting rights in the Company held by Linxin Group are exercised by Mr. Zhao and Ms. Peng.

(2) Tiantu Entities include Tiantu Xingli, Chengdu Tiantu, Tiantu Dongfeng, Tiantu Xingnan and Tiantu Xingpeng. For details of relationships between these entities, see the section headed “Substantial Shareholders”.

(3) SCGC Entities include SCGC Capital, GDHT Ventures and FSJC Ventures. For details between these entities, see the subsection headed “Pre-IPO Investments – Information about the Pre-IPO Investors”.

(4) Evermore Glory Limited is a company incorporated under the Laws of the British Virgin Islands and is owned as to 50% by each of Mr. He Gang (何剛), our Chief Technology Officer, and his spouse, Ms. Ma Nicole Xiaoming (馬曉鳴), respectively. Evermore Glory Limited is administered by Mr. He Gang. Please see the subsection headed “ Major Corporate Development, Shareholding Changes and Reorganization of our Group – Our Company – V. Issuance, surrender and transfer of Ordinary Shares” above for details of the issuance of Ordinary Shares to Mr. He Gang, which are held under Evermore Glory Limited.

(5) Forth Wisdom Limited is a company incorporated under the Laws of the British Virgin Islands as the Company’s offshore employee incentive platform for the Equity Incentive Plans. Forth Wisdom Limited is wholly-owned by Zedra Holdings (Cayman) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Forth Wisdom Limited are exercised jointly by Mr. Zhao and Ms. Peng.

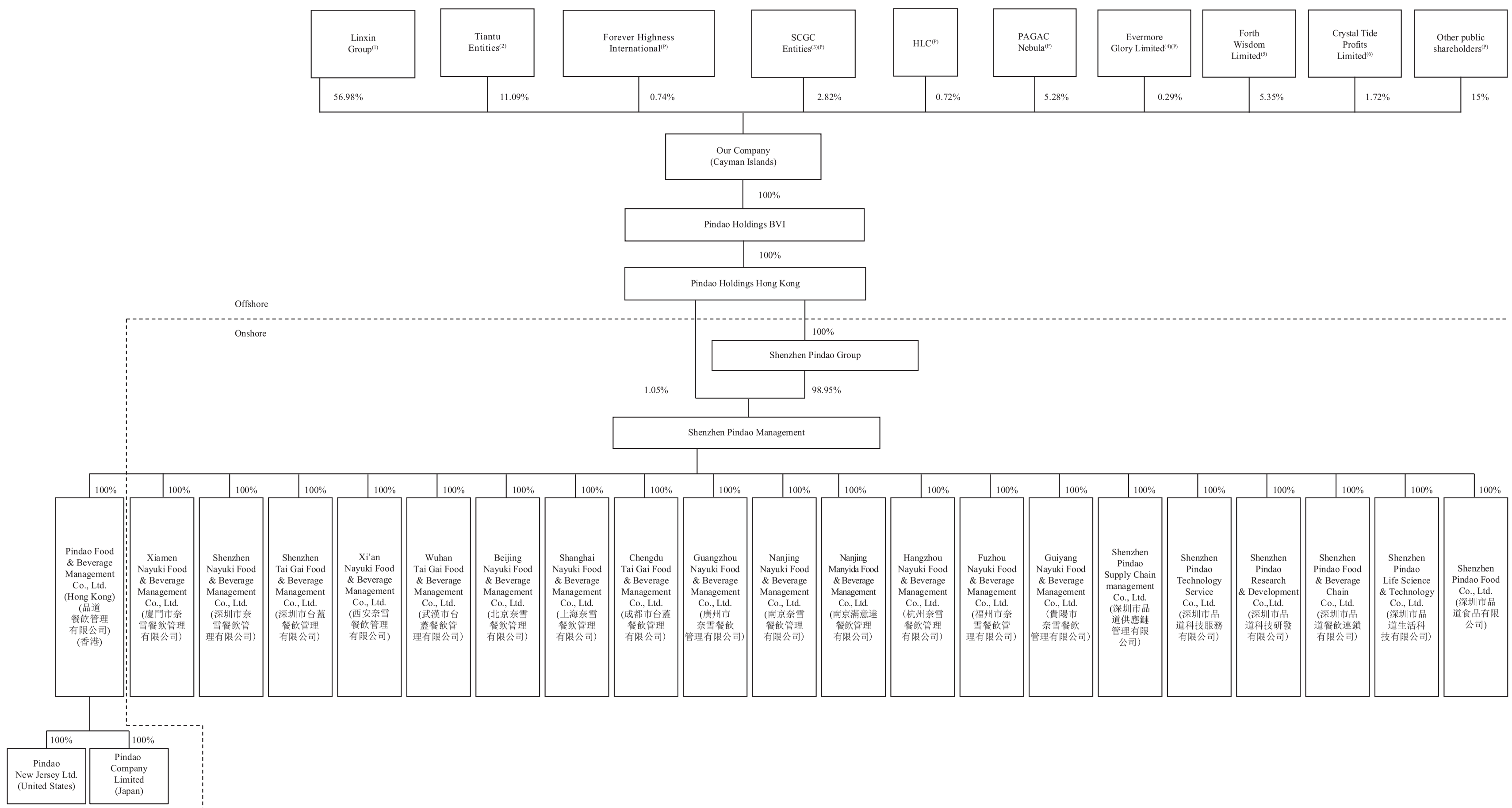
Pursuant to the terms of the 2020 Share Option Plan, such plan is subject to the administration of a duly authorized committee of the Board and the trustee. The Shareholders and the Board of the Company have approved that such committee shall consist of Mr. Zhao and Ms. Peng. In addition, the Shareholders and the Board have also approved the establishment of Forth Wisdom Trust and authorized Ms. Peng to administer the trust. Through passing the above resolutions, the Shareholders and the Board authorized Mr. Zhao and Ms. Peng to give instructions to the trustee and, effectively, control the voting rights of the Shares held by Forth Wisdom Limited.

(6) Crystal Tide Profits Limited is a company incorporated under the Laws of the British Virgin Islands as a platform holding Shares for future benefit to employees, advisors and consultants as the Board deems fit. Crystal Tide Profits Limited is wholly-owned by Trident Trust Company (HK) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Crystal Tide Profits Limited are exercised by Ms. Peng.

(7) Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, Mr. Zhao and Ms. Peng, through (i) Linxin Group, (ii) Forth Wisdom Limited, the voting rights held by which are jointly exercised by Mr. Zhao and Ms. Peng and (iii) Crystal Tide Profits Limited, the voting rights held by which are exercised by Ms. Peng, will be able to exercise in aggregate approximately 64.05% of the voting rights in our Company.

(P) The Shares held by these Shareholders will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the Listing.

The following diagram illustrates the corporate and shareholding structure of our Group immediately upon completion of the Global Offering (assuming each Series A Preferred Share, Series A+ Preferred Share, Series B-1 Preferred Share, Series B-2 Preferred Share and Series C Preferred Share of the Company have been converted to Shares of the Company on a one-to-one basis and that the Over-allotment Option is not exercised).



Note: see notes of the sub-section headed "Our Corporate and Shareholding Structure" above for details.

THE *NAYUKI* INSPIRATIONS

Nayuki is a young and fast-growing brand – a brand that we built based on deep insights into our industry, brand and customers, and our belief that we are living in an era where new global brands will soon rise in the tea industry.

Nayuki was founded in 2015 – when traditional community tea shops and low-end bubble tea stalls still represented the mainstream teahouse formats that defined what the industry was, and when all the best spots in the bustling downtown areas in any major Chinese city seemed to belong only to large coffee chains – a token of cosmopolitanism increasingly accepted by people living a modern city life.

But for what we all know, China is the realm of tea, one of the three most popular drinks in the world, although the world is still awaiting a global teahouse chain that offers accessible products to make the good old drink a new drink of choice that resonate greatly with the younger generations. With the rising demands for high-quality, healthy tea drinks that are symptomatic of the improving living standards across China – we see a favorable industry trend that provides the soil for the rise of premium teahouse brands. And this was what inspired us to create *Nayuki*, a premium modern teahouse brand that we believe will change the narratives for what we used to know about tea drinking.

When we opened the first *Nayuki* teahouse in downtown Shenzhen in November 2015, the idea was simple: we wanted to build a long-lasting premium teahouse brand. We brought this idea to life by building a thoughtfully designed and spacious space for you to relish our products, attracting a new customer demographic including young customers, business people, and families. Today, we are operating more than 500 *Nayuki* teahouses across China and competing in a new industry category that is becoming the new rivalry of global coffee chains.

We live by four tenets to make *Nayuki* a great brand.

- We make high-quality, healthy products with less sugar content, using high-quality raw materials such as fresh fruit, high-quality tea leaves and fresh milk instead of syrup, tea powder and creamer. When sourcing raw materials for our products, we always choose quality over price because we believe our discerning customers will become increasingly focused on quality and they will stick with our products for a long time.

- We focus on leading industry trends. From store formats to in-store experience, from product development to digital membership services, all of our efforts over the years served a common ethos to address diversified customer demands in different consumption scenarios.

- We are committed to taking care of our customers with warm customer services. In this era of digitalizing everything in a business, we are not only focused on improving operating efficiency through the use of advanced technology, but serving every customer in a personal and hospitable way. We believe our focus on creating a customer experience makes us a "brand with temperature" and helps to increase brand loyalty among our customers.

- We value our employees and focus on their long-term learning and development. Through our training programs, we are devoted to helping our in-store crew develop skills that both help them at work and leave positive impact on their lives, encouraging them to bring this sense of warmth and positive energy to people around them and all of our customers.

It was through these efforts have we made *Nayuki* a premium modern teahouse chain recognized by customers across many cities in China. In the future, we will continue with our journey to pursue our long-term mission – build a global teahouse brand loved by everyone, promoting the tea culture to the world.

BUSINESS OVERVIEW

We operate *Nayuki* teahouses, a leading premium modern teahouse chain in China serving freshly-made tea drinks. Six years ago, our founders, inspired by Chinese tea culture and the global coffee chain concept, opened our first *Nayuki* teahouse in Shenzhen, China, with a desire to re-invigorate the tea-drinking experience for those who crave fresher, better tasting, and more accessible tea drinks. Today, our flagship brand, *Nayuki*, has become a recognized brand among China's young customers.

Through our self-operated premium modern teahouses, we have created a comfortable, upscale social space for our customers and communities to get together and enjoy. Our tea drinks can also be conveniently enjoyed on-the-go to accommodate the increasingly rapid pace of everyday life. Our *Nayuki* teahouse network has experienced a rapid expansion, with the number of *Nayuki* teahouses growing from 44 as of December 31, 2017 to 491 as of December 31, 2020, which include 489 *Nayuki* teahouses covering 66 cities across mainland China and one *Nayuki* teahouse in each of Hong Kong SAR and Japan. *Nayuki* had the most extensive premium modern teahouse network in China in terms of the number of cities covered as of December 31, 2020, according to CIC. In November 2020, we launched our new teahouse format, *Nayuki PRO*, with a goal to bring *Nayuki* closer to our customers' everyday life. With the debut of *Nayuki PRO*, we have successfully deployed an extensive network of *Nayuki* teahouses covering high-traffic locations such as premium premises in upscale shopping malls, office buildings and the centers of residential neighborhoods, thereby making our *Nayuki* products and experience more accessible by our customers, at their leisure or on their daily commute.

We are committed to product quality and innovation. According to CIC, we are the first in China to make freshly brewed tea drinks with fresh fruit and we have been promoting the concept of pairing freshly-made tea drinks with handcrafted freshly baked goods in China. Headed by our co-founder and General Manager, our product development team tirelessly refines our menu with new items. This has led to a core *Nayuki* menu of over 25 varieties of classic tea drinks and over 25 varieties of baked goods as of the Latest Practicable Date. To keep our offerings fresh, we also continuously refine our core menu, with approximately one new drink launched every week on average and approximately 60 seasonal products introduced since 2018. Our tea drinks include fresh fruit teas, milk teas and pure teas. We make most of our baked goods fresh within our teahouses every day to complement our tea drinks. In addition, we offer a wide selection of retail products, such as gift tea boxes, snacks and ready-to-drink tea beverages, catering to the diversified needs and preferences of our customers.

To make the *Nayuki* experience more convenient and personalized for our customers, we have introduced the *Nayuki* membership program and our *Nayuki* app, which are fully integrated with our *Nayuki* teahouse network. As of the Latest Practicable Date, we had approximately 35.3 million members registered with our *Nayuki* membership program. In 2020, approximately 49.0% of the total number of our *Nayuki* orders was contributed by our *Nayuki* members. Through our Weixin/WeChat and Alipay mini programs and *Nayuki* app, our customers can easily join our membership program, find the nearest *Nayuki* teahouse, and place delivery and pickup orders at their fingertips. In 2018, 2019 and 2020, approximately 4.4%, 12.5% and 22.9% of *Nayuki* orders, respectively, were delivery orders placed by our customers through our Weixin/WeChat and Alipay mini programs, *Nayuki* app and other third-party delivery platforms.

We have achieved strong operational and financial performance for our *Nayuki* teahouse network during the Track Record Period. Our *Nayuki* teahouse network grew rapidly from 44 as of December 31, 2017 to 491 as of December 31, 2020, and further to 562 as of the Latest Practicable Date. Revenues generated by our *Nayuki* teahouses increased from RMB909.5 million in 2018 to RMB2,291.5 million in 2019, and further to RMB2,870.9 million in 2020. Our profitability continued to improve throughout the Track Record Period, with adjusted net loss (non-IFRS measure) decreasing substantially from RMB56.6 million in 2018 to RMB11.7 million in 2019, and further turning to adjusted net profit (non-IFRS measure) of RMB16.6 million in 2020. Additionally, same store profit margin for *Nayuki* remained stable at 24.9% and 25.3% in 2018 and 2019, respectively.

OUR COMPETITIVE STRENGTHS

A leading premium modern teahouse brand that reshapes the tea drinking experience

We are a leading premium modern teahouse brand in China. According to CIC, *Nayuki* had the most extensive premium modern teahouse network in China in terms of the number of cities covered as of December 31, 2020. In 2020, *Nayuki*'s average sales value per order reached RMB43.0, which was the highest among premium modern teahouse chains in China with an industry average sales value per order of approximately RMB35.0. Over the years, we have reshaped the tea drinking experience by offering freshly-made tea drinks in our premium modern *Nayuki* teahouse chain across China.

Tea is the most popular drink in China, accounting for approximately one third of China's non-alcoholic beverage retail sales in 2020 which was approximately six times of the coffee retail sales, according to CIC. In recent years, with continuous consumption upgrades driven by higher disposable income, customers in China have been craving creative tea drinks freshly made with fresh fruits, milk and other high-quality ingredients. Driven by this new trend of tea drinking, the total market size of freshly-made tea drinks in China in terms of retail consumption value reached approximately RMB113.6 billion in 2020 and is expected to reach RMB340.0 billion by 2025. In particular, premium modern teahouses with an average selling price for freshly-made tea drinks of not lower than RMB20 have been experiencing tremendous growth, outstripping the overall market for freshly-made tea drinks. The retail consumption value of freshly-made tea drinks and other products such as baked goods generated by premium modern teahouses approximated RMB15.2 billion in 2020 and is expected to reach RMB62.3 billion by 2025, representing a CAGR of 32.7%.

According to CIC, we are the first in China to make freshly brewed tea drinks with fresh fruit and we have been promoting the concept of pairing freshly-made tea drinks with handcrafted freshly baked goods in China. We take pride in our product innovation and customer satisfaction, which continue to drive us to premiumize and modernize the tea drinking experience for the younger generations in China. We freshly prepare every cup of tea drink with quality ingredients and we make sure each teahouse rigorously implements the same set of standardized procedures – from food preparation to customer service – so as to provide customers with a consistent *Nayuki* experience.

We aspire to make *Nayuki* a part of our customers' daily lives. With our new teahouse format, *Nayuki PRO*, we have successfully deployed an extensive *Nayuki* teahouse network covering high-traffic locations such as premium premises in shopping malls, office buildings and the centers of residential neighborhoods, making our *Nayuki* products and experience more accessible by our customers, during their leisure time and on their daily commute. We purposefully design each of our *Nayuki* teahouses with artistic elements to create a comfortable, upscale social space which leads to effective brand promotion through word-of-mouth online and offline. According to the CIC Survey, *Nayuki* had been recognized by the highest number of respondents as the premium modern teahouse with the most satisfying customer experience.

Since *Nayuki*'s opening in 2015, we have generated significant media attention and a passionate following mainly consisting of China's rising young generations. We leverage a broad array of branding and marketing campaigns to build brand image, expand customer reach and enhance customer engagement. For example, we have launched co-branding initiatives with reputable lifestyle brands and partners such as *Douyin*, *Li Ning*, *Under Armour*, *VOSS* and *Dove* to develop creative co-branded products and promote our brand awareness. We actively engage with our customers on various social media platforms, such as Weixin/WeChat, Xiaohongshu and Weibo, with creative marketing campaigns and special offers, thereby encouraging the viral dissemination of our brand name. We are also among the first few teahouse brands in China to partner with key opinion leaders, or KOLs, on live streaming platforms to enhance our brand awareness, according to CIC. At the debut live show of a renowned KOL on *Douyin* in April 2020, we had amassed more than two million viewers watching simultaneously during a twelve-minute-session.

We have engaged a vast customer base in China. We rolled out our current *Nayuki* membership program in September 2019, offering a variety of digital tools designed to make the entire ordering process more convenient and personalized for our customers. Our *Nayuki* membership base had experienced a rapid growth, with the number of registered members significantly increasing from 9.3 million as of December 31, 2019 to 27.9 million as of December 31, 2020, and further to 35.3 million as of the Latest Practicable Date. In 2020, approximately 49.0% of the total number of our *Nayuki* orders was contributed by our *Nayuki* members. The number of our active members has grown from 2.0 million in the fourth quarter of 2019 to 5.8 million in the fourth quarter of 2020. In the fourth quarter of 2020, 29.8% of such active members were repeat members, which was higher than the industry average according to CIC. As more customers identify *Nayuki* with a new lifestyle embodied by a premium tea drinking experience, we believe we are able to forge a lasting connection between our brand and customers.

Track record of quality expansion with strong performance

Our strong brand reputation and engaged customer base have allowed us to achieve rapid and profitable expansion across China. Benefitting from tremendous market potential and first-mover advantages, *Nayuki* has become the most extensive premium modern teahouse network in China in terms of the number of cities covered as of December 31, 2020, according to CIC. We grew from 44 *Nayuki* teahouses as of December 31, 2017 to 562 *Nayuki* teahouses located in premium, high-traffic premises as of the Latest Practicable Date.

Our effective expansion strategies are critical to our success in establishing and maintaining *Nayuki* as one of the most recognized teahouse brands in China. We have established a track record of increasing the density of our *Nayuki* teahouse network in Tier 1 cities, with an aim to address a wider range of consumption scenarios and customers' diversified demands. Simultaneously, we have tapped into new regional markets outside of Tier 1 cities in China. Across our entire teahouse network, we strategically situate our *Nayuki* teahouses in high traffic locations, primarily at premium premises in upscale shopping malls. As of December 31, 2020, our *Nayuki* teahouses could be found in 28 of the top 50 shopping malls in China in terms of gross merchandise volume in 2020, according to CIC. With our new teahouse format, *Nayuki PRO*, launched in November 2020, we seek to further expand our teahouse network to currently underpenetrated areas such as office buildings and high-density residential neighborhoods to address diversified consumption habits and preferences of our customers.

As we expand rapidly, our *Nayuki* teahouses have delivered strong performance after opening. Our *Nayuki* teahouses opened in 2018 delivered an attractive teahouse payback period of approximately 10.6 months. Despite the COVID-19 outbreak, our *Nayuki* teahouses opened in 2018 and 2019, taken as a whole, achieved a teahouse payback period of 15.5 months. In 2019, the average daily sales per teahouse with respect to our 327 *Nayuki* teahouses as of December 31, 2019 reached RMB27.7 thousand. Even in the relatively mature markets, such as Tier 1 cities where 138 *Nayuki* teahouses were in operation in 2019, we achieved a competitive average daily sales per teahouse of RMB25.8 thousand. In addition, our same store profit margin for *Nayuki* increased from 24.9% in 2018 to 25.3% in 2019.

Compelling product offerings powered by stringent quality control, deep customer insights and effective supply chain management

Building on the rich culture of tea in China, we are dedicated to offering freshly-made tea drinks with modern craftsmanship and creativity. According to CIC, we are the first in China to make freshly brewed tea drinks with fresh fruit and we have been promoting the concept of pairing freshly-made tea drinks with handcrafted freshly baked goods in China. As of the Latest Practicable Date, we had developed a core *Nayuki* menu of over 25 varieties of classic tea drinks and over 25 varieties of baked goods.

We place significant value on product. We are committed to effective end-to-end quality control throughout our operations, from sourcing ingredients to making and delivering freshly-made products to our customers. We use premium tea leaves, including award-winning ones, fresh milk rather than tea powders and creamers, and fresh fruit to make our tea drinks. We adopt a centralized inventory management system that enables us to procure ingredients based on the specific and seasonal needs of each teahouse. We strive for continuous improvement in quality and taste through advanced techniques and know-how in processing and blending of ingredients. Our in-store crew are required to complete a multi-week training program on food safety, to learn how to prepare our food properly and serve customers in a professional and hospitable way. We conduct on-site checks of every teahouse and review customer feedback on a regular basis.

We aspire to always stand at the frontline of driving the next sensation in tea consumption. With customer data insights gained from massive customer orders, we constantly refine the recipes for our signature products to cater to the latest customer preferences. In 2020, we sold over 21.8 million cups of our top three best-selling classic tea drinks, which collectively contributed 27.6% of our total sales of freshly-made tea drinks in such period. To keep our offerings fresh, we also continuously refine our core menu, with approximately one new drink launched every week on average and approximately 60 seasonal products were introduced since 2018. For example, our *Supreme Cheese Grape Tea*, which debuted in March

2020, has been a great success and helped drive our sales. In 2020, our customers ordered a total number of 6.0 million cups of *Supreme Cheese Grape Tea*, which was among our top three best-selling classic tea drinks during the period.

Our product development efforts also benefit from our effective supply chain management. Combining deep customer insights with strong control over our supply chain, we strive to effectively transform product development from a costly, discretionary exercise into a data-driven, analytical process, thus maximizing our ability to optimize product mix, manage pricing, reduce development costs and risks, and address unmet customer demands. We seek to source our major ingredients directly from their regions of origin to ensure consistent quality and competitive pricing. In particular, we work closely with a selected group of reputable suppliers who provide us with dedicated supply chain resources to make our key ingredients, such as certain types of tea leaves and fresh fruit juices, based on our unique specifications. This has allowed us to further enhance our quality control and secure consistent tastes in our products. In 2020, we partnered with over 250 reputable raw materials suppliers, among which we had an average of more than two years of collaboration with the top ten suppliers. Our long-term relationships with quality suppliers not only provide us with stable and convenient access to a broad array of high-quality ingredients, but also enable us to incubate a growing pipeline of product candidates that can be readily launched to respond to changing customer preferences in an efficient and cost-effective manner.

Technology capabilities driving operational efficiency

We have deployed a comprehensive technology infrastructure and advanced data analytics that are capable of informing product innovations, supporting rapid teahouse network expansion, automating in-store operation, enhancing quality control, and customizing branding and marketing efforts to drive customer repurchase rate.

At every *Nayuki* teahouse, we deploy a proprietary integrated information platform *Teacore*, which is capable of consolidating and processing massive troves of operational data accumulated from various technology systems integrated within our operations, with a view to informing better business decisions, streamlining business operations, and improving operational efficiency. With our growing database, we also apply big data analytics to engage our customers, refine and develop products, and tailor our sales and marketing efforts towards the changing preferences and consumption scenarios of our customers. Our *Teacore* is also purposefully built to seamlessly integrate online and offline transaction information, through which we have obtained invaluable data insights into our customers to accurately profile their transaction patterns, consumption habits, and lifetime customer value.

We leverage our technology capabilities to streamline our in-store operations, with a goal to both improve operational efficiency and enhance customer experience. Our in-store inventory management system accurately tracks and intelligently analyzes inventory levels and the valid periods of major ingredients for each *Nayuki* teahouse in real-time. This enables us to timely and sufficiently stock up our teahouses, optimize our inventory levels, and limit overall wastage, thereby enhancing the overall performance of each *Nayuki* teahouse and ensuring consistent quality control.

People are at the core of the development and application of technologies. We take pride in our IT team, which is led by nine seasoned industry veterans with an average of around ten years of experience accumulated from their prior employments at technology giants in China and overseas, such as Amazon, Alibaba, JD.com and Tencent. Their deep foresight on the evolving demands for technology support in the food and beverage industry has laid the foundation for our long-term success.

Experienced founders supported by experienced senior management and a deep talent pool

We are led by our co-founders and a team of dedicated and experienced senior management. Our co-founder and Chief Executive Officer, Mr. Zhao Lin brings years of management experience in the food and beverage industry. His leadership, combined with his deep industry expertise, enables him to spearhead the sustainable growth of our business, including our network expansion strategies. Ms. Peng Xin, our co-founder and General Manager, has extensive product development and branding and marketing experience. As our innovation leader, Ms. Peng Xin is in charge of product development, teahouse design and overall marketing strategy. Her passionate pursuit of product innovation, taste and flavor, and enjoyable customer experience drives our customers' enthusiasm for the *Nayuki* brand.

Our co-founders are supported by a professional senior management team with rich industry experience, professional qualifications and a deep passion for the tea culture. They bring us an average of over ten years of experience spanning all major aspects of our business, including store operation, branding and marketing, supply chain management, and digital technologies from industry leading companies including Bytedance, DJI, JD.com, Maxim's and Jiumaojiu.

Since our founding, we stand to hire the right people that are committed to excellence, innovation and integrity, with a passion for our brand and customers. Our philosophy in talent development focuses on offering growth opportunities at all levels within our company to nurture future leaders in the industry. To attract talented employees, we have adopted a share-based incentive plan and offer our employees attractive compensation and career prospect.

OUR GROWTH STRATEGIES

Strengthen leadership in existing markets and expand footprint in new markets

We believe we have a proven business model built to support our network expansion. Leveraging our strong brand value, deep industry expertise and first-mover advantages, we plan to strengthen *Nayuki*'s leadership in existing markets and explore opportunities in new markets to drive our organic growth and improve the economies of scale of our teahouse network, while seeking to continuously enhance our operational efficiency at the store-level.

We will continue to open new *Nayuki* teahouses in premium locations such as high-end shopping malls in major cities in China. In addition, we will also continue to expand the network of new *Nayuki PRO* teahouses in high-end office buildings and residential neighborhoods with flexible sizes and a diversified menu of products catering to specific consumption scenarios along the daily routines of our customers to further densify our presence in selected cities. As of the Latest Practicable Date, we operated 67 *Nayuki PRO* teahouses in 28 cities across China. We plan to open approximately 300 and 350 *Nayuki* teahouses in 2021 and 2022, respectively, primarily in Tier 1 cities and New Tier 1 cities, among which approximately 70% are planned to be *Nayuki PRO* teahouses. With an optimal mix of regular *Nayuki* and *Nayuki PRO* teahouses in all major cities in China, we will be able to make our products and modern tea drinking experience more accessible to a broader audience, while optimizing our store-level operating costs. While we plan to continue to focus on China's markets in the near future, we will also evaluate opportunities to tap into other overseas markets.

Further improve overall operations through enhancing our technology capabilities

We will continue to improve operational efficiency as we rapidly expand our business. We will continue to upgrade our proprietary technology infrastructure and further improve our operational and management systems to inform continuous product innovations, enhance quality control, automate in-store operation, customize branding and marketing efforts, and streamline new teahouse development.

In particular, we aim to further optimize labor costs and other operating expenses by continuously upgrading our workforce management, inventory management, and other in-store operation systems. We are forging our smart in-store crew scheduling system, which will be able to automatically schedule staff shifts and order assignments based on sales patterns at each teahouse. We plan to further optimize our in-store inventory management system enables us to intelligently forecast demand, manage inventory, automatically order inventories, timely stock up our teahouses and limit overall wastage. Furthermore, we will continue to improve our in-store operation through an effective integration of key know-hows and smart devices, which we believe will help streamline our food preparing process and ensure a consistent level of quality and flavor in our products.

Moreover, we will continue to invest in company-wide IT infrastructure to centralize, standardize and streamline the key operational functions at the headquarters' level to apply and upgrade customized ERP and other operational management systems.

Strengthen supply chain capabilities

As we continue to scale our teahouse presence and expand our geographic reach, we seek to strengthen our supply chain capabilities to support our long-term profitable growth. We expect to establish multiple "central kitchens" in different cities across China, where we store raw materials and prepare food and raw materials, including handcrafted baked goods, pre-made baked goods, fillings for baked goods as well as other snacks for teahouses in proximity, especially for our *Nayuki PRO* teahouses that are not equipped with an in-store bakery. We believe such a "central kitchen" network will enable us to stock up our teahouses in a more swift and cost-effective manner, thereby increasing our operational efficiency.

We will continue to source premium ingredients to make quality, fresh and creative products, which serves as the foundation of our product quality and innovativeness. To this end, we will focus on deepening our relationships with key supplier partners and continue to explore potential strategic partnerships with them to ensure the high-quality and stable supply of ingredients. With our strong brand reputation and increasing bargaining power, we will continue to increase the proportion of direct sourcing from a selected group of key suppliers to reduce procurement costs, while better controlling the quality of key ingredients from the source.

With deeper data-driven insights into the entire supply chain, we will leverage our understanding of customer needs to accurately identify and secure the best supplies with the best terms. As we continue to improve our existing products and introduce new products, we will further strengthen our appeal to customers to support our expansion into new markets and new retail channels.

Enhance customer engagement to forge lasting connections

Nayuki has been growing alongside the rise of China's young generations and the emergence of social media. We believe we have benefited from our loyal member community who shares their memorable *Nayuki* experience with their families and friends. This motivates us to continue to strengthen our bonding with customers throughout their daily lives. Towards this goal, we plan to continue to invest in our technology and data capabilities to further enhance our *Nayuki* membership program and our *Nayuki* app. With continuous data-driven function upgrades, we believe our *Nayuki* membership program will deliver a more compelling digital experience to the young customers of China, expanding and integrating our online and offline customer bases and allowing us to stay connected with our customers anytime, anywhere.

In addition, we will continue to capitalize on our increasing brand awareness to broaden customer reach. Through offering more ingenious, engaging member benefits and activities, we will further enlarge customer base, increase customer purchase frequency and drive product sales in a cost-effective manner. For example, with special offers, we will encourage our existing *Nayuki* members to invite their families and friends to join our membership community and share their favorite joyful *Nayuki* products and experience. Also, we will continue to analyze customer behavior and transaction data to more accurately identify and anticipate their needs and tailor our sales and marketing efforts accordingly. By matching customers' needs with our diversified product offerings, we will be able to increase customer stickiness and strengthen our bonding.

Introduce new hit products, expand product offerings and channel presence to unlock *Nayuki*'s brand potentials

Ingenuity is at the core of our growth strategies, especially when it comes to making what our customers like more accessible to them. To fully unlock the brand potentials of *Nayuki* as a lifestyle brand, we will continue to improve our strong product development capabilities to introduce new products and refine our existing products. We will continue to innovate and remain inspired from our customers and all other stakeholders in and beyond our industry, stage those creative ideas into our product roadmap.

We plan to create more touchpoints with our customers by expanding our product categories in gift tea boxes, ready-to-drink tea beverages, tea bags, pre-packaged dessert and snack products, pushing the brand boundaries to grow *Nayuki* as a lifestyle brand. Centered around the trade name of *Nayuki*, we plan to continuously launch new series of derivative products such as lifestyle goods and gifts and engage in co-branding initiatives with other reputable lifestyle brands.

Further, we will penetrate into new retail channels such as various e-commerce, short video and live streaming platforms to increase our online and offline presence and supermarket chains. We aim to work with reputable lifestyle brands to forge an open platform that seamlessly and effectively integrates visits and data from a broad universe of online channels.

OUR TEAHOUSE BRANDS

Our flagship brand is *Nayuki*, a leading premium modern teahouse brand with a broad network of regular *Nayuki* teahouses and a growing network of *Nayuki PRO* teahouses. We also operate a sub-brand *Tai Gai*. Through our teahouse chains, we build on and promote tea-drinking culture to customers by developing freshly-made tea drinks using carefully sourced tea leaves, fresh milk, seasonal fruits, and other ingredients.

Historically, we also operated another immaterial sub-brand *Li Shan* with minimum revenues. As of the Latest Practicable Date, we had decided to discontinue the operations of *Li Shan* and close the remaining two *Li Shan* teahouses.

The following table sets forth a breakdown of our revenues for the periods indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Nayuki	909,539	83.7	2,291,459	91.6	2,870,888	93.9
Tai Gai	155,741	14.3	185,207	7.4	152,981	5.0
Others[(1)]	21,546	2.0	24,844	1.0	33,312	1.1
Total	1,086,826	100.0	2,501,510	100.0	3,057,181	100.0

Note:

(1) including revenues derived from *Li Shan*, our headquarters and others. Revenues derived from our headquarters consist primarily of sales of gift tea boxes, seasonal gift sets and other gifts and retail products.

The following table sets forth our store-level operating profit by teahouse brand, in both absolute amounts and as a percentage of revenue, or operating margin, for the periods indicated. We define store-level operating profit as revenues deducting operational costs incurred at the store level under each teahouse brand, comprising costs of materials, staff costs, depreciation of right-of-use assets, other rentals and related expenses, depreciation and amortization of other assets, utilities expenses and delivery expenses. We believe that store-level operating profit is helpful for investors to understand the distinct business performance and profitability of our two different teahouse brands.

	For the year ended December 31,					
	2018		**2019**		**2020**	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except percentages)					
Store-level Operating Profit						
Nayuki[(1)]	172,082	18.9	373,929	16.3	351,233	12.2
Tai Gai[(2)]	19,673	12.6	28,966	15.6	23,633	15.4

Notes:

(1) while other income, under which the income from the one-off output value-added tax exemption in 2020 was recorded, is not taken into consideration when calculating store-level operating profit, store-level operating profit for *Nayuki* in 2020 has taken account of the uncreditable input value-added tax of RMB155.0 million that was recognized as and allocated to costs and expenses of different nature.

(2) while other income, under which the income from the one-off output value-added tax exemption in 2020 was recorded, is not taken into consideration when calculating store-level operating profit, store-level operating profit for *Tai Gai* in 2020 has taken into account the uncreditable input value-added tax of RMB7.3 million that was recognized as and allocated to costs and expenses of different nature.

As we continued to rapidly ramp up our business scale during the Track Record Period, our store-level operating profit margin for *Nayuki* experienced a decrease both from 2018 to 2019, due to the substantial amount of initial investment costs, such as staff costs and costs of materials, incurred in connection with the opening of our new *Nayuki* teahouses, which pulled down the overall store-level operating profit margin of our *Nayuki* teahouses as a whole. Accordingly, despite such decreases in the overall store-level operating profit margin for *Nayuki*, our same store profit margin for *Nayuki* improved during the relevant periods. Our same store profit margin for *Nayuki* remained stable at 24.9% and 25.3% in 2018 and 2019. For details of our same store profit and same store profit margin, see "Business – Our *Nayuki* Premium Modern Teahouses – Our *Nayuki* Teahouse Performance – Same Store Sales and Same Store Profit."

Our store-level operating profit margin for *Tai Gai* increased from 12.6% in 2018 to 15.6% in 2019, primarily because we opened 51 *Tai Gai* teahouses in 2018, as compared to 14 in 2019, and therefore incurred substantially more initial investment costs, which led to a relatively lower overall store-level operating profit for *Tai Gai* in 2018, as compared to 2019. Our store-level operating profit margin for *Tai Gai* remained relatively stable at 15.4% despite the disruptions caused by the COVID-19 outbreak to our business operations.

OUR FLAGSHIP PREMIUM MODERN TEAHOUSE BRAND – *NAYUKI*

Our flagship brand – *Nayuki* was built to modernize China's long-lived tea-drinking culture through offering freshly-made tea drinks and baked goods coupled with enjoyable customer experience.

Customers are at the core of our corporate values. We purposefully design each of our *Nayuki* teahouses with artistic elements to create a comfortable, upscale social space, which leads to our superior reputation among customers and effective brand promotion through word-of-mouth online and offline. We also encourage our customers to give reviews, compliments, suggestions, or complaints through various channels. According to the CIC Survey, *Nayuki* has been recognized by the highest number of respondents as the premium modern teahouse with the most satisfying customer experience.

OUR *NAYUKI* PRODUCTS

Our Menu

Inspired by our goal to elevate the tea drinking culture and spread it to more customers, *Nayuki*'s menu focuses on freshly-made tea drinks and handcrafted baked goods, all made with quality ingredients. Our menu is carefully crafted with a range of classic and seasonal tea drinks and handcrafted baked goods that go well with the drinks. We have developed a list of classic and seasonal tea drinks, comprising three major product categories in fruit teas, milk teas and pure teas. Our in-store crew freshly makes every cup of *Nayuki* tea to ensure a bespoke experience, catering to customers' varying preferences – from customized sugar and ice content, selection of cheese toppings to addition of other condiments.

Most of our products are freshly prepared within our *Nayuki* teahouses, including our baked goods. We have developed a fully standardized process for food preparation that ensures food safety and efficient preparation and serving process. In addition, we offer a wide selection of other products, such as gift tea boxes, snacks and ready-to-drink tea beverages, to further enrich our menu and cater to the diversified needs and preferences of our customers.

We aspire to drive product innovations, with approximately one new drink launched every week on average and approximately 60 seasonal products were introduced since 2018. In the meantime, we focus on our core *Nayuki* menu by constantly refining the recipes for and the ingredients used in our signature products to cater to the latest customer preferences.

Freshly-made tea drinks

Classic tea drinks. Since our inception, we have developed a series of classic and popular tea drinks, spanning fruit teas, milk teas and pure teas. We pair different fruits with a selection of premium Chinese tea base. Our top three best-selling classic tea drinks were *Supreme Cheese Strawberry Tea*, *Supreme Orange Tea* and *Supreme Cheese Grape Tea* in terms of number of customer orders placed in 2020. The *Supreme Cheese Strawberry Tea* and *Supreme Orange Tea* are based on a fragrant jasmine tippy tea, whereas the *Supreme Cheese Grape Tea* is based on an aromatic oolong tea. In 2020, we sold over 21.8 million cups of our top three best-selling classic tea drinks, which collectively contributed 27.6% of our total sales of freshly-made tea drinks in such period. The following pictures are our top three best-selling classic tea drinks.

Supreme Cheese Strawberry Tea

Supreme Orange Tea

Supreme Cheese Grape Tea

Seasonal tea drinks. We generally update our drink menu every month with seasonal tea drinks. For example, we offer cheese-cherry tea during the winter-spring season when imported Chilean cherries hit the market, and tropical fruit tea during the summer season. We also promote warm drinks during fall and winter seasons. Our top three best-selling seasonal tea drinks were *Supreme Cheese Peach Tea, Supreme Bayberry Tea* and *Supreme Cheese Emerald Melon Tea* in terms of number of customer orders placed in 2020. During the same period, our customers have ordered a total number of 5.7 million cups of our top three best-selling seasonal tea drinks. The below pictures are our top three best-selling seasonal tea drinks.

Supreme Cheese Peach Tea


Supreme Bayberry Tea

Supreme Cheese Emerald Melon Tea

Handcrafted baked goods

We have been promoting the concept of pairing freshly-made tea drinks with handcrafted baked goods in China, according to CIC. Our handcrafted baked goods use premium dairy products such as quality imported cream and fresh fruit. *Strawberry Blush Mystique*, one of the best-sellers, is made of a dragon-fruit infused dough, fresh strawberries, and smooth strawberry cream. We also offer bread-cutting services to slice our breads into bite-sized portions, whether for dining in or taking out. As of the Latest Practicable Date, we offered a core menu of over 25 varieties of handcrafted baked goods. The following picture represents our popular handcrafted baked goods.

Gifts and retail products

To cater to the diversified demands of our customers, we have also launched a wide selection of gifts and retail products, including gift tea boxes, snacks, and seasonal gift sets, available both in our *Nayuki* teahouses and online. Particularly, we offer premium tea leaves in packaged gift boxes to allow our customers to enjoy the same, authentic flavor at home or at work as in our teahouses. In October 2020, we debuted our fruit-flavored sugar-free sparkling water to offer a trendy, healthy option to our customers. The following pictures are our gift tea box, sparkling water, snacks and mooncake gift box offered in 2020.

We typically outsource the production of gifts and retail products to third-party manufacturers. According to the contract manufacturing agreements between such third-party manufactures and us, they shall produce the relevant products using raw materials provided by us and strictly in accordance with our specifications and standards. We are contractually entitled to monitor the entire production process to make sure the final products meet our heightened food safety and product quality requirements. Under the contract manufacturing agreements, the third-party manufacturers shall bear any production cost, while we will cover delivery fees. The third-party manufacturers shall be responsible for any losses or damages caused by defective products.

How We Develop Products

Product differentiation and innovation have become increasingly critical in retaining customers and for them to differentiate between various premium modern teahouse brands. It is important for us not only to continually upgrade our classic products, but also to constantly launch new products that meet customers' evolving tastes and preferences.

Headed by our co-founder and General Manager, Ms. Peng, our product development team consisted of 24 employees with relevant work experience in the food and beverage industry as of December 31, 2020. They are responsible for innovating our menu with new products and refining our existing product offerings, based on customer feedback, through constantly experimenting with seasonal and other ingredients. For our *Nayuki* brand, we focus on matching selected fine tea leaves with a variety of fresh fruit with the addition of healthy options so that our freshly-made *Nayuki* tea drinks are suitable for a broad demographic across China.

We carefully select supply sources and require our supplier partners to process raw materials catering to our specific demands and specifications, which we believe enable us to incorporate distinct elements into our new products. Through experimenting with different combinations of various premium tea leaves, seasonal fruits, mild cheese toppings and other high-quality ingredients, we are devoted to creating trendy freshly-made tea drinks that also taste great.

Below summarizes the key steps involved in our product development process.

- *Step 1: identifying market trends for product innovation and improvement*. To make our product offerings increasingly appealing to our customers, we identify the latest market trends based on our market research, customer data insights gained from our vast customer base, and advanced analyses of customer consumption patterns and scenarios, industry trends and competitive products.

- *Step 2: product planning*. We make product innovation and improvement plans on a regular basis, and frequently review and adjust such plans catering to the latest customer preferences.

- *Step 3: identifying and sourcing quality ingredients*. We source quality ingredients for all of our products. We only use premium tea leaves, including award-winning ones, fresh milk rather than tea powders and creamers to make our tea drinks. The seasonal fruits we use in our products are carefully sourced from reputable suppliers to ensure their freshness and taste. We seek to source our major ingredients directly from their regions of origin to ensure consistent quality and competitive pricing. We work closely with a selected group of reputable suppliers who provide us with dedicated supply chain resources to make our key ingredients based on our unique specifications.

- *Step 4: test blending*. We pair different fruits and juices with a selection of premium Chinese tea base. For example, based on a fragrant jasmine tippy tea, our popular classic tea drink *Supreme Cheese Strawberry Tea* is mixed with freshly-blended strawberries topped with a layer of our signature cheese crown. We tirelessly test blending to our exacting flavor standards.

- *Step 5: pre-launch sample testing*. Before we launch a new product, we conduct rigorous internal sample testing to collect feedbacks and refine our recipes accordingly. From time to time, we also test our new products at *Nayuki Fantasy Factory* and other *Nayuki* teahouses to collect real-time customer feedbacks. We believe this exercise largely helps us to improve product quality and achieve initial customer acceptance.

- *Step 6: packaging and branding planning*. We leverage our in-house experts' insights in branding and marketing to design a holistic promotion plan for a new product candidate, which typically covers product positioning, packaging design and online and offline marketing channels.

- *Step 7: pre-marketing*. Upon the product promotion plan is finalized, we kick start our pre-marketing activities through an effective network of marketing channels tailored to our new products.

We do not view geographic location as a material variable in customers' tastes, preferences or demands, and as a result, we operate our *Nayuki* teahouses across China with the same product and services standards, recipes, practices and procedures. This is because tea has long been the most popular drink in China. Despite the different ways of tea drinking, tea is equally loved and consumed by the Chinese people living in different regions. In addition, in recent years, freshly-made tea drinks blended with fresh fruit, milk and cream have grown into a consumption sensation and lifestyle among the young generations of consumers in China. Furthermore, it was not just the new way of tea drinking, but also the *Nayuki* customer experience featured with a comfortable, upscale social space, that has contributed to our initial market success. We believe the pursuit of a new lifestyle that underpins *Nayuki*'s brand value is universal among young customers in China, regardless of their geographic locations.

Once rolled out in the market, our classic products, including classic tea drinks and handcrafted baked goods and other retail products, are typically available at all time, whereas seasonal products may only remain on the menu for a limited period. Seasonal tea drinks and handcrafted baked goods generally are available for one to three months, primarily depending on accessibility of relevant seasonal fruits, customer acceptance, and sales and marketing considerations. Additionally, seasonal gift sets are on sale for approximately one month during the relevant festival or holiday seasons.

We are also constantly improving our *Nayuki* membership program and data analytic capabilities to better understand our customers' preferences and tea drinking habits to help refine our existing products and drive the development of new products. Our inspiration of pairing freshly-made tea drinks with handcrafted baked goods, together with our efforts in product innovation, has led to the highest average sales value per order of RMB43.0 among premium modern teahouse chains in China in 2020, according to CIC.

Product Pricing

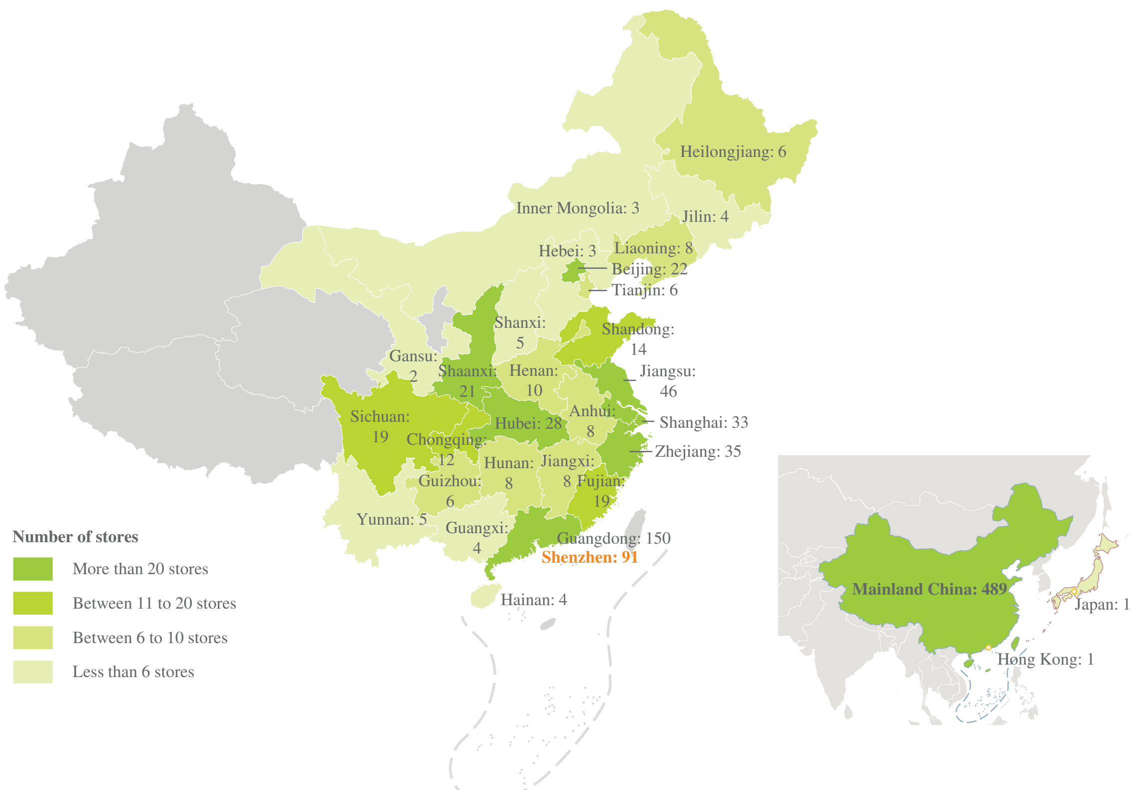
We believe our leading position in our industry in China as well as our brand recognition and product quality have provided us with strong pricing power. We intend to apply reasonable prevailing market prices with consistent and high quality products, catering to our customers' experience. We generally take into account a number of factors to set the prices of our *Nayuki* products, including local customer purchasing power, cost of ingredients, market demands, rental expenses and competition. As a result, our *Nayuki* products may be sold at different prices in different regions of China and overseas.

The prices of our *Nayuki* products in each region are determined in a centralized and holistic manner by our management at our headquarters. Normally, the list price of the *Nayuki* tea drinks on our core menu ranges from RMB13 to RMB30, and the list prices of our baked goods range from RMB8 to RMB48. As of the Latest Practicable Date, the average list price for our freshly-made *Nayuki* tea drinks was RMB27, while that for our handcrafted baked goods was RMB22.

OUR *NAYUKI* PREMIUM MODERN TEAHOUSES

Our *Nayuki* Teahouse Network

We opened our first *Nayuki* premium modern teahouse in Shenzhen in November 2015, and have since been rapidly expanding our network across major cities in China. According to CIC, we had the most extensive premium modern teahouse network in China in terms of the number of cities covered as of December 31, 2020. As of December 31, 2020, we had 489 *Nayuki* teahouses covering 66 cities across mainland China, and had extended our footprint to Hong Kong SAR and Japan, with each having one *Nayuki* teahouse. The following map illustrates our teahouse network as of December 31, 2020.



The following table sets forth a breakdown of the number of our *Nayuki* teahouses by geographic location as of the dates indicated.

	As of December 31,						As of the Latest Practicable Date	
	2018		2019		2020			
	Actual number	*%*	*Actual number*	*%*	*Actual number*	*%*	*Actual number*	*%*
Tier 1 cities	87	56.1%	138	42.2%	170	34.6%	194	34.5%
New Tier 1 cities	58	37.4%	119	36.4%	170	34.6%	194	34.5%
Tier 2 cities	10	6.5%	62	19.0%	122	24.9%	135	24.0%
Other cities[1]	–	–	8	2.4%	29	5.9%	39	7.0%
Total	155	100.0%	327	100.0%	491	100.0%	562	100.0%

Note:

(1) cities (i) in other tiers of cities across mainland China, and (ii) outside mainland China comprising Hong Kong SAR and Osaka, Japan.

During the Track Record Period, our *Nayuki* teahouse network grew rapidly. In particular, the number of our *Nayuki* teahouses in New Tier 1 cities and Tier 2 cities had witnessed a significant increase as we continued to penetrate into attractive regional markets in China. As of December 31, 2020, we had 170 and 122 *Nayuki* teahouses in New Tier 1 cities and Tier 2 cities, respectively, as compared to 58 and 10 *Nayuki* teahouses as of December 31, 2018.

All of our *Nayuki* teahouses in China are self-operated to ensure consistent, high-quality customer experience. During the Track Record Period, on a one-off basis, we operated one *Nayuki* teahouse located in the Joy City Shopping Mall in Beijing (the "**Joy City Teahouse**") pursuant to an operational management agreement entered into with an independent third party which owned the business licenses and was licensed our brand name for such Joy City Teahouse. Set forth below is a brief summary of the key contractual terms of the operational management agreement:

- *Term*. The operational management agreement has an initial term of one year, subject to our unilateral early termination for convenience.

- *License and permits*. The independent third party is contractually required to obtain and maintain requisite licenses and permits for the Joy City Teahouse according to the applicable PRC laws and regulations. The independent third party shall be responsible for any losses incurred by us in connection with any non-compliance incidents of the Joy City Teahouse.

- *Teahouse management and operations*. We are entitled to manage and operate the Joy City Teahouse under the operational management agreement.

- *Management service fees*. The independent third party shall pay management service fees at a fixed percentage of the Joy City Teahouse's operating profit to us. During the Track Record Period, we did not receive any management service fees from the independent third party because the Joy City Teahouse had experienced losses throughout the period.

As we are not the owner of the Joy City Teahouse, we did not consolidate its historical results of operations during the Track Record Period, and accordingly the *Nayuki* teahouse network presented in this Prospectus excludes the Joy City Teahouse. The Joy City Teahouse commenced operations in January 2019. In 2019 and 2020, the average daily sales of the Joy City Teahouse were RMB35.2 thousand and RMB23.8 thousand, respectively. During the Track Record Period, the sales generated by the Joy City Teahouse were immaterial relative to our Group. In addition, the Joy City Teahouse had experienced losses throughout the Track Record Period primarily due to its higher rental expenses, as compared to other *Nayuki* teahouses. Initially, the reason that our management decided to open the Joy City Teahouse at its current premise was because of its preferred location in the Joy City Shopping Mall, which we expect to help to enhance *Nayuki*'s brand awareness.

We adopted this one-off operation model because when we were initially seeking to open the Joy City Teahouse at its current premise in 2019, the relevant premise was pre-occupied by such independent third party, who had already entered into a lease with the property owner and obtained the necessary operating licenses. Therefore, we chose to enter into a business collaboration through an operational management agreement with such party instead to allow us to independently operate the Joy City Teahouse and receive management service fees from such third party. As advised by our PRC Legal Advisor, the one-off operation model for the Joy City Teahouse is in compliance with applicable PRC laws in all material respects. Upon expiration of the currently effective operational management agreement on February 1, 2022, we would comprehensively and prudently re-assess whether to renew the operational management agreement based on a variety of strategic and commercial considerations, including historical performance of the Joy City Teahouse, availability of other similar premises in proximity as well as our latest growth strategies in Beijing.

In addition, we have been exploring different *Nayuki* teahouse formats, catering to diverse customer demands. Our *Nayuki* teahouses currently come in two formats, namely (i) the regular *Nayuki* teahouses including those with diversified *Nayuki* concepts such as the *Nayuki Fantasy Factory*, *Nayuki's Gift* teahouses as well as *Nayuki's Bla Bla Bar*, and (ii) the *Nayuki PRO* teahouses. We launched our *Nayuki PRO* teahouses in November 2020 to achieve broader customer coverage, increase operational efficiency and offer our customers a more convenient, personalized customer experience, with a goal to make *Nayuki* ubiquitous to our customers' everyday life. For details of our *Nayuki PRO* teahouses, see "– Our New *Nayuki* Teahouse Format – *Nayuki PRO*."

Teahouse Network Management

We have established a set of standard procedures to manage our *Nayuki* teahouse network so that we can achieve and maintain our long-term profitable growth and quality expansion.

Our Location Selection

The *Nayuki* teahouse network covers economically vibrant regions in China, which we believe provide us with a more scalable and stable potential customer base. Most of our *Nayuki* teahouses are strategically situated in high-traffic locations such as premium premises in shopping malls, office buildings and the centers of residential neighborhoods. For every potential *Nayuki* teahouse location, we seek locations where communities gather, often with characteristics such as high pedestrian traffic, substantial commercial density, reputable co-tenants and other factors such as proximity to office buildings, schools, and tourist attractions.

Our location selection and teahouse opening decision-making process require each new *Nayuki* teahouse to be approved by our Chief Executive Officer. Specifically:

- Our development department is responsible for identifying and selecting the suitable locations for our new *Nayuki* teahouses in accordance with our annual expansion target. Once a potential location is identified, our development department prepares a project proposal, which will be reviewed by our regional managers with local experience and expertise.

- The reviewed proposal will then be submitted for preliminary screening and initial approval by managers of our teahouse development department and marketing department at our headquarters.

- Upon initial review, our construction department will join our development department to conduct thorough surveys and analysis (including on-site visits) in connection with the target location, which cover customer traffic, surroundings, visibility, expected rental terms, expected revenue and profit level, as well as construction conditions. A written report of such surveys and analysis will be submitted to our headquarters for final approval.

- Subsequently, our teahouse development department and construction department will, under the supervision of our Chief Executive Officer, proceed to negotiate the lease terms with the property owner for the particular *Nayuki* teahouse.

We seek to achieve optimal performance of new *Nayuki* teahouses by incentivizing our development department to constantly optimize location selection exercises. To this end, we evaluate the performance of our development department by, among other things, comparing the actual operational results of a new *Nayuki* teahouse with the expected level set forth in its project proposal and written report. When the actual operational results of a new *Nayuki* teahouse hit a certain level beyond the original expectation, the development department would be rewarded.

During the Track Record Period and up to the Latest Practicable Date, we have successfully launched different layouts and sizes of *Nayuki* teahouses in varied locations throughout regional shopping malls and high density urban areas. Leveraging our increasing brand awareness and reputation, we believe we are able to secure such prime locations with favorable rental and lease terms. As of December 31, 2020, we had opened our *Nayuki* teahouses in 28 out of the top 50 shopping malls in China in terms of gross merchandise volume in 2020, according to CIC. Below a picture of our *Nayuki* teahouse located in Guangzhou, China.

Our Teahouse Design

We want our customers to come to our teahouses and feel at home, comfortable and relaxed. That is why we purposefully designed our *Nayuki* teahouses with a contemporary leisure and social concept.

A typical *Nayuki* teahouse is between 180 and 350 square meters in size with interior seating for 50 to 120 guests. Each *Nayuki* teahouse is uniquely designed with artistic elements. The atmosphere and design of *Nayuki* teahouses evoke the tea ceremony, as well as the modern day fine living experience in terms of the quality of space, furniture, decorations, lighting, and background music.

Each *Nayuki* teahouse is meticulously designed to reflect a comfortable ambiance associated with the core *Nayuki* brand values. We believe that these attributes create a unique in-store ambiance, refine the customer experience and create a lasting impression of our *Nayuki* brand, thereby driving the amount of time our customers spend in our *Nayuki* teahouses. The following pictures illustrate typical layouts of our *Nayuki* teahouses in selected locations in China.

We procure and install machines, equipment and source raw materials as well as other materials and consumables at each *Nayuki* teahouse. Substantially all of our *Nayuki* teahouses are equipped with two to three bakery ovens, and each of our teahouse is equipped with tea brewers, tea steamers, tea extractors, cheese topping makers and other equipment, such as ice machines and freezers.

Recent and Planned Expansion

We have experienced rapid expansion in our *Nayuki* teahouse network in recent years. During the Track Record Period, the number of our *Nayuki* teahouses increased from 44 as of December 31, 2017 to 327 as of December 31, 2019 and further to 491 as of December 31, 2020. The following table sets forth the movement in the number of our *Nayuki* teahouses during the Track Record Period and up to the Latest Practicable Date.

	For the year ended December 31,			For the period from January 1, 2021 up to the Latest Practicable Date
	2018	**2019**	**2020**	
Number of *Nayuki* teahouses at the beginning of the period	44	155	327	491
Number of new *Nayuki* teahouses opened during the period	111	173	172	74
Number of *Nayuki* teahouses closed during the period	(0)	(1)	(8)	(3)
Number of *Nayuki* teahouses at the end of the period	155	327	491	562

During the Track Record Period, we closed zero, one and eight *Nayuki* teahouses, respectively, in 2018, 2019 and 2020, primarily due to relocation of such teahouses to a more preferable location in proximity and/or sub-optimal performance. See "– Our *Nayuki* Teahouse Performance – *Nayuki* Teahouse Performance Assessment System" for details. We opened 111, 173 and 172 new *Nayuki* teahouses during the same periods, respectively, to expand our *Nayuki* teahouse network and enhance our market penetration.

With our strong brand value, deep industry expertise and first-mover advantage throughout China, we expect to further strengthen our leadership in existing markets and continue to expand our network in underpenetrated cities in China and selected overseas markets.

Specifically, we plan to increase the number of our *Nayuki* teahouses in our existing markets, in particular currently underpenetrated areas with high customer traffic such as premium premises in high-grade office buildings and the centers of residential neighborhood, to further deepen our market penetration. We plan to open approximately 300 and 350 *Nayuki* teahouses in 2021 and 2022, respectively, primarily in Tier 1 cities and New Tier 1 cities, among which approximately 70% are planned to be *Nayuki PRO* teahouses. For the approximately 300 *Nayuki* teahouses that we expect to open in 2021, we had (i) opened 67 new *Nayuki* teahouses, (ii) entered into lease agreements for 125 *Nayuki* teahouses, and (iii) completed the internal process for location selection with respect to 88 *Nayuki* teahouses as of May 31, 2021.

The following table sets forth the planned locations of our new *Nayuki* teahouses to be opened in both 2021 and 2022.

Approximate number of *Nayuki* teahouses	
Tier 1 cities	40%
New Tier 1 cities	30%
Tier 2 cities	20%
Other cities*	10%
Total	100%

* *Note*: cities (i) in other tiers of cities across mainland China, and (ii) outside mainland China comprising Hong Kong SAR and Osaka, Japan.

We expect the number of new *Nayuki* teahouses to be opened in 2023 to be at least the same as the number of new *Nayuki* teahouses we plan to open in 2022, subject to market conditions.

We believe our continued teahouse network expansion is supported by strong market demand. According to CIC, tea ranked the first among the most popular drinks in China, accounting for approximately one third of China's non-alcoholic beverage consumption in 2020. China has a massive base of tea drinkers, including the rising young generations, due to its long-standing tea culture. The market size for tea products in China had continued to expand at a CAGR of 9.8% from 2015 to 2020, with freshly-made tea being the fast-growing subsector, growing at a CAGR of 21.9% during the same period. Within the freshly-made tea shops industry, premium modern teahouse market has been and will continue demonstrating the fast growth.

According to CIC, China's premium modern teahouse market in terms of total retail consumption value is expected to grow at a CAGR of 32.7% from RMB15.2 billion in 2020 to RMB62.3 billion in 2025, with the number of premium modern teahouses in China increasing from 3.4 thousand in 2020 to 12.7 thousand in 2025, representing a CAGR of 30.2%. Such growth projections are based on a number of key market drivers, including (i) continuous consumption upgrade driven by increasing spending power, (ii) rising customer demand unlocked by teahouses with differentiated store formats and under diversified consumption scenarios, (iii) attractive cross-selling opportunities, (iv) digital transformation featured with dedicated and convenient membership programs, and (v) innovative marketing methods, as detailed in the section headed "Industry Overview" in this Prospectus.

Despite its tremendous growth potential, the freshly-made tea shops industry in mainland China is still underpenetrated as compared to other more mature markets such as Taiwan and Hong Kong, which share a similar long-standing tea drinking culture but have much smaller consumer population than mainland China. In 2020, the per capita consumption volume of freshly-made tea drinks in both Taiwan and Hong Kong was over 50 cups which is still more than four times of that expected to reach in 2025 in mainland China, according to CIC. This indicates that there is strong market demand for freshly-made tea drinks in the near future that would support the continuous development of China's freshly-made tea shops industry. As we have already established ourselves as a leading player in the premium modern teahouse industry and amassed a significant customer base with our growing teahouse network, our Directors are of the view, and are concurred by CIC, that we are well positioned to capture the considerable potential market opportunities to support our business expansion and further increase our market share in this fast-growing yet underpenetrated market.

In addition, consistent with the well-established expectation that China's premium modern teahouse market is yet to be further penetrated and dominated by a limited number of leading brands, our historical network expansion in the existing markets also suggests strong customer demand for our teahouses and products. For example, as of December 31, 2020, we operated a total of 91 teahouses in our home market, Shenzhen, where we recorded stable business and financial performance despite our rapid teahouse network expansion during the Track Record Period. In contrast, we only operated a total of 22, 33 and 24 teahouses as of December 31, 2020 in Beijing, Shanghai and Guangzhou, respectively, notwithstanding the fact that these cities are of similar size as Shenzhen and have strong customer demands for premium modern teahouses. This clearly demonstrates that there is still a significant market opportunity for us to replicate our initial success in Shenzhen in other underpenetrated, attractive markets including other Tier-1 cities, as well as New Tier-1 cities and Tier 2 cities.

Furthermore, we plan to ramp up the presence of *Nayuki PRO* teahouses, with approximately 70% of the new *Nayuki* teahouses to be opened in 2021 and 2022 expected to be *Nayuki PRO* teahouses. We believe such expansion strategy will allow us to benefit from *Nayuki PRO* teahouses' competitive advantages in cost structure, extend our teahouse network to more consumption scenarios, and increase store-level profitability. In particular, we believe that our *Nayuki PRO* teahouses are more efficient with respect to cost structure, as compared to regular *Nayuki* teahouses:

- *Lower upfront investment costs*. Since we removed the on-site bakery section at *Nayuki PRO* teahouses, which eliminates the costs associated with procurement of baking equipment and recruiting, training and retaining additional staff, *Nayuki PRO* teahouses typically require lower upfront investment costs as compared to regular *Nayuki* teahouses. We incurred an average investment cost of approximately RMB1.0 million per teahouse for *Nayuki PRO* teahouses in open as of March 31, 2021, whereas the average investment cost per teahouse for regular *Nayuki* teahouses in open as of the same date amounted to RMB1.8 million.

- *Lower staff cost level due to fewer in-store staff*. With advanced technologies, simplified teahouse layout and streamlined operations, *Nayuki PRO* teahouses are able to operate efficiently with fewer in-store staff as compared to regular *Nayuki* teahouses. In March 2021, the average number of in-store staff at our existing *Nayuki PRO* teahouses was approximately 13, which is lower than the average number of 21 of regular *Nayuki* teahouses during the same period.

We expect our new *Nayuki* teahouses to have largely the same layout, operation and serving model as our existing regular *Nayuki* teahouses and *Nayuki PRO* teahouses, as the case may be, with advanced technologies deployed to improve operational efficiency. A typical *Nayuki* teahouse takes between two and three months to build, depending on the size and location of each teahouse. For the years ended December 31, 2021 and 2022, our planned investment costs for opening new *Nayuki* teahouses is expected to be approximately RMB423.6 million and RMB486.1 million, respectively, assuming the estimated average investment costs per regular *Nayuki* teahouse and per *Nayuki PRO* teahouse at RMB1.85 million and RMB1.25 million, respectively. We plan to fund such teahouse network expansion with a mix of cash flow generated from our operations and the proceeds from the Global Offering. For details, see the section headed "Future Plans and Use of Proceeds" of this Prospectus.

With respect to the new *Nayuki* teahouses that we expect to open in 2021, we have incurred and committed amounts of approximately RMB45.5 million since December 31, 2020 and up to April 30, 2021. *Nayuki* teahouses opened in 2018 delivered an attractive teahouse payback period of approximately 10.6 months. Despite the COVID-19 outbreak, our *Nayuki* teahouses opened in 2018 and 2019, taken as a whole, achieved a teahouse payback period of 15.5 months. In addition, our *Nayuki* teahouses generally achieved an initial breakeven period within approximately four months during the Track Record Period.

However, the actual number, location and timing of new *Nayuki* teahouse openings in any period will be affected by a number of factors and subject to uncertainties. We may review and make adjustments to our expansion plans from time to time depending on the market conditions, pre-opening preparation and development of existing *Nayuki* teahouse network, see "Risk Factors – Risks Relating to Our Business and Industry – If we are unable to successfully manage our rapid growth, our business and prospects may be materially and adversely affected."

New Teahouse Opening Process

To ensure operational efficiency and legal compliance as well as consistency in our quality expansion, we have established a standardized new teahouse opening process, which sets forth detailed guidelines on every key aspect of the teahouse opening process, from obtaining requisite licenses to in-store crew onboarding, and from teahouse design and decoration to the initial operational set-up. Supervised by our Chief Executive Officer who is responsible for overseeing the entire new teahouse opening process, relevant departments at our headquarters work closely with each other to manage and execute new teahouse opening. It typically takes two to three months from the execution of lease agreements to the opening of a new *Nayuki* teahouse.

- *In-store crew onboarding*. We value the crucial role of our in-store crew, especially the teahouse manager, in the success of a new teahouse. We typically commence the recruiting process for a new *Nayuki* teahouse several months before its scheduled opening to ensure every new in-store staff is well trained to deliver high-quality *Nayuki* products and services to our customers. Once recruited, such in-store staff will be temporarily placed in our existing *Nayuki* teahouses to get various trainings and accumulate work experience. Currently, most of our teahouse managers are external hires who have extensive relevant experience as we continue to rapidly expand our teahouse network. Under our vanguard program, we also train and promote selected homegrown employees to become teahouse managers.

- *Licenses and compliance*. We regard legal compliance as one of the key aspects of our daily operations, which goes beyond project execution. Supported by our legal department, our public relations department commences application for necessary licenses and permits, including business license, environmental assessment, food operation license and fire safety inspection certificate upon execution of the lease agreement.

- *Teahouse design and decoration*. We engage selected third-party service providers to design and decorate our new teahouses. Our construction department is responsible for overseeing the entire decoration process and coordinating with construction contractors and property owners. Upon completion of decoration, we inspect the new teahouse to ensure it is ready for opening, and then hands over the new teahouse to our operations department for further set-up.

- *Teahouse set-up*. Immediately before the grand opening of a new teahouse, the new teahouse crew steps in and does the final preparation, including conducting site training of newly recruited staff and undergoing trial operations to ensure the smooth opening and quality control of the teahouse.

Teahouse Network Expansion Management

During the Track Record Period, we had achieved a proven record of successful teahouse network expansion across different regions and markets in China. We currently have more teahouses in certain regions and markets, particularly Shenzhen and those in proximity, mainly because Shenzhen is our "home market" and it is more efficient for us to first tap into geographically adjacent markets by leveraging our established reputation and supply chain networks.

As we increase the density of our teahouse network, we place significant emphasis on preventing cannibalization amongst our existing and new teahouses, especially in markets where we have more established presence. To minimize competition among our *Nayuki* teahouses we carefully select location for each new teahouse to be opened, taking into the following considerations:

- *Selected shopping malls with proven business success.* As currently most of our *Nayuki* teahouses are located at upscaling shopping malls, we place paramount importance on selection of shopping malls to achieve desired operational results and prevent cannibalization. We primarily assess the historical retail sales of any particular shopping mall to determine whether a new *Nayuki* teahouse could thrive once opened at such shopping mall. By carefully selecting shopping malls with proven business success, we believe we are able to take advantage of the thorough market analyses initially made by the relevant real property developer when selecting the location for a shopping mall, which help us to ensure customer visits sufficient for the profitable growth of a new *Nayuki* teahouse, and control the distance among *Nayuki* teahouses located at different shopping malls.

- *Customer traffic*. Customer traffic is among the key metrics we evaluate when determining whether to increase the density of our teahouses within a particular commercial district. To assess the customer traffic within a particular commercial district, we primarily look at, among others, the number of households of the surrounding residential properties and average monthly passenger traffic of adjacent transportation hubs, where applicable.

- *Customers' purchasing power*. The purchasing power of target customers varies in different commercial districts in a city. Despite high customer traffic, a teahouse may not be able to achieve desired operating profit if its target customers' purchasing power is within a low range. We prudently evaluate target customers' purchasing power through market surveys and analyses to determine if a specific commercial district offers a large customer base with strong purchasing power that needs to be addressed with multiple teahouses.

- *Diversified consumption scenarios*. To achieve broader customer coverage and minimize competition among our teahouses within the network, we seek to address a wide range of consumption scenarios. In addition to the regular *Nayuki* teahouses that are mainly located in premium shopping malls to address leisure consumption scenarios, we introduced *Nayuki PRO* teahouses in November 2020 with a view to covering high-end office buildings and high-density residential neighborhoods, thereby catering to diversified customer demands and capturing evolving market opportunities.

- *Historical performance of comparable brands*. Before opening a new *Nayuki* teahouse in an existing or new commercial district, we collect the historical performance data of comparable brands that have established presence in that particular commercial district, and compare such historical performance data against our target sales to decide if we would be able to achieve desired operational results. We typically take the following steps to collect such historical performance data: (i) conducting site visits and interviewing with commercial property owners to generally understand the customer traffice at any particular store of comparable brands, (ii) collecting publicly available data of comparable brands from various sources, including industry research reports, industry forums, newsletters and other materials published by the comparable brands themselves, and (iii) conducting overall market and industry researches, including consulting with insightful industry experts.

- *Distance*. We determine the physical distances amongst its new teahouses and the existing ones based on market analyses and a strategic evaluation of our major competitors' teahouse or coffee shop locations. In general, we only open one teahouse under any of our teahouse brands in a particular shopping mall, office building or the center of a residential neighborhood. To cater to the high demand of our products and services in certain areas, additional teahouses may be opened in close proximity to the existing teahouses.

In addition, as we continue to rapidly ramp up business scale and expand teahouse network, we have devised a comprehensive set of unified, stringent policies and procedures to manage our network growth, with a view to ensuring consistency in our product and service quality, operating *Nayuki* teahouses across our expanding network efficiently and effectively, and achieving significant economies of scale. Such policies and procedures cover various aspects of teahouse operations including procurement of raw materials, staff recruitment and training, logistics infrastructure and warehousing, quality control, management resources investment, and legal compliance.

- *Procurement of raw materials*. We have established a dedicated procurement team at our headquarters that is responsible for our centralized supply chain management. Our procurement team meticulously selects suppliers for our broad network of teahouses across different regions in China to secure raw materials delivered to each teahouse within the network meet our rigorous quality standard. For details of our centralized supply chain management, see "– Supply Chain Management."

- *Staff recruitment and training*. We have implemented standard human resource management policies and procedures, which provide specific guidance and criteria as to employee recruitment, training, evaluation and promotion. We apply such policies and procedures in every teahouse within the network to ensure our employees, especially our in-store crew, fully embrace our corporate values and long-standing commitment to product and service quality. Supervised by our human resource department at headquarters, our regional human resource functions are responsible for hiring, training and retaining staff for teahouses under their respective jurisdiction. We believe such internal governance structure helps to ensure consistency in customer service standard, while allowing for more flexibilities catering to the specific demands for staff of teahouses situated in different locations.

- *Logistics infrastructure and warehousing*. We engage large-scale, reliable local logistics partners across China to transport raw materials and products for us. We typically enter into a standard agreement with our logistics partners, which provide a unified set of stringent requirements and standards with respect to our logistics partners and their fleets. Additionally, as we continue to tap into new markets and expand our geographic coverage, we had built a warehouse network comprising nine leased warehouses in selected cities across China as of the Latest Practicable Date. In sync with our teahouse network expansion, we strategically locate our leased warehouses to cover different geographic regions in China, thereby accommodating the growing demands of our teahouses throughout the network. For further details, see "– Logistics and Warehousing."

- *Quality control*. We value the significance of customer satisfaction and believe food safety and product quality are of paramount importance to our day-to-day business operations. As such, we are committed to heightened quality control as we continue to grow our teahouse network. To ensure our stringent food safety and quality control measures are implemented consistently throughout our teahouse network, we have a dedicated quality assurance team at headquarters that oversees food safety and quality assurance work throughout core links from supply chain management to daily operations at the store level. For details of our quality control efforts, see "– Food Safety and Quality Control."

- *Management resources investment*. We have adopted a vertical management structure with various levels of management overseeing day-to-day operations of teahouses within the network. We divide our existing *Nayuki* teahouses in mainland China into six regional groups by geographic location, with each having one operating director who oversees the operations of the teahouses within a particular regional group. Within any regional group, we have two additional layers of management and a regional manager at the bottom typically manages five to eight teahouses. With such an effective top-down management, we believe we are able to operate every teahouse efficiently while continuing our network expansion

- *Legal Compliance*. Our public relations, internal control and legal departments at headquarters closely monitor the legal compliance status of each teahouse within the nationwide teahouse network and delegate day-to-day compliance work streams to managers of each teahouse who are subject to regular trainings and reporting to the legal department.

Our New *Nayuki* Teahouse Format – *Nayuki PRO*

We are driven by the simple purpose of getting great *Nayuki* products to everyone who asks for it. With this goal, we launched our new teahouse format – *Nayuki PRO* in November 2020 to achieve a broader customer coverage, increase operational efficiency and address diversified customer demands for our products under different consumption scenarios. As we continue to expand our *Nayuki PRO* teahouse network in selected locations across China, we believe we will be well positioned to make our *Nayuki* products and experience more accessible by our customers.

To cater to diversified consumption habits and scenarios, we decided to bring *Nayuki* closer to our customers' daily lives with the debut of *Nayuki PRO* in strategically selected locations such as high-end office buildings and high-density residential neighborhoods – thus making our *Nayuki* products more accessible by our customers on their daily commute.

We meticulously designed and built our *Nayuki PRO* teahouses in more flexible sizes and layouts to accommodate our customers' increasingly rapid pace of urban living. For example, we created a dedicated section in our *Nayuki PRO* teahouses to serve customers with pick-up and delivery orders, allowing them to conveniently place orders online in advance and pick up their orders without waiting in a queue. Unlike our regular *Nayuki* teahouses where we adopt a "front shop, back factory" model to freshly make our baked goods, we removed the on-site bakery section at our *Nayuki PRO* teahouses and focus more on selling pre-made baked goods such as cupcakes and roll cakes, which allows us to provide our products with a more convenient customer experience. Pre-made baked goods are prepared in advance at our "central kitchen" located in Shenzhen, which is capable of timely supplying the relevant pre-made products to our *Nayuki PRO* teahouses. Such pre-made baked goods only need to be quickly prepared by our in-store staff for customers, which significant saves our customers' time waiting while improving our operational efficiency in our *Nayuki PRO* teahouses.

The removal of the on-site bakery section also allows for a more flexible size and layout of our *Nayuki PRO* teahouses, with each ranging from 80 to 200 square meters. This in turn enables us to easily identify desired locations for our *Nayuki PRO* teahouses and build them up in a cost-effective manner. For example, due to relatively limited space, *Nayuki PRO* teahouses opened in office buildings are typically smaller in size as compared to regular *Nayuki* teahouses. In contrast, *Nayuki PRO* teahouses located in shopping malls generally have identical seating area to that of regular *Nayuki* teahouses. In addition to the comfortable atmosphere that underpins our core *Nayuki* brand values, we designed our *Nayuki PRO* teahouses with a minimalist aesthetic, making them perfectly blend in the local neighborhoods and communities they serve. Below are pictures of our *Nayuki PRO* teahouses located in Shenzhen.

At a *Nayuki PRO* teahouse, we offer not only our signature freshly-made tea drinks that are on a regular *Nayuki* teahouse's core menu, but also a diversified selection of gifts and retail products catering to the specific demands of our customers. For example, every *Nayuki PRO* teahouse is featured with a retail section, where a broad selection of easy-to-grab snacks, such as fruit-flavored freeze-dried yogurt block, cookies and fries are also at customers' choice. We will continue to diversify our menu at *Nayuki PRO* teahouses to meet our customers' evolving needs and to offer satisfying customer experience. Below are pictures of products exclusively offered at *Nayuki PRO* teahouses.


While we are constantly optimizing the performance of our regular *Nayuki* teahouses with technology, we focus on deploying our most advanced technologies at our *Nayuki PRO* teahouses to drive store-level operational efficiency. For example, we deployed a variety of smart devices such as automated tea brewers and high speed ovens at our *Nayuki PRO* teahouses to streamline our food preparing process and secure product quality. Such technologies, together with simplified store layouts, allow our *Nayuki PRO* teahouses to efficiently operate with fewer in-store staff, as compared to regular *Nayuki* teahouses, which in turn enables us to rapidly expand in a cost-effective manner.

We opened our first two *Nayuki PRO* teahouse in Shenzhen in November 2020, and aim to expand this new teahouse format across China. As of the Latest Practicable Date, we had a network of 67 *Nayuki PRO* teahouses in major cities in China. The following table illustrates our *Nayuki PRO* teahouse network as of the Latest Practicable Date.

	As of the Latest Practicable Date
Number of *Nayuki PRO* teahouses	
Tier 1 cities	25
New Tier 1 cities	23
Tier 2 cities	10
Other cities[(1)]	9
Total	67

Note:

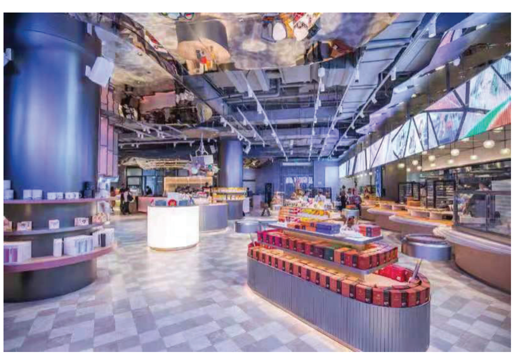
(1) cities (i) in other tiers of cities across mainland China, and (ii) outside mainland China comprising Hong Kong SAR and Osaka, Japan.

We expect to further ramp up the presence of our *Nayuki PRO* teahouses in the future. With simplified teahouse layout and streamlined operations, we believe that our *Nayuki PRO* teahouses have the potential to achieve strong profitability at the store level.

Other *Nayuki* Concept Teahouses

We are continuously enriching the *Nayuki* brand with a variety of art, culture and lifestyle elements, and have introduced a spectrum of regular *Nayuki* teahouses of diversified *Nayuki* concepts to further raise our brand awareness.

In November 2019, we celebrated *Nayuki Fantasy Factory*'s grand opening in Shenzhen, China. *Nayuki Fantasy Factory* is a multi-scenario large-scale experience teahouse covering over 700 square meters of retail space, which aims to promote a trendy and fashionable tea culture to the younger generations in China. At *Nayuki Fantasy Factory*, we encourage menu innovation and offer a differentiated customer experience from our regular *Nayuki* teahouses. The whole space is seamlessly built containing five areas with a broad selection of *Nayuki* products such as freshly-made tea drinks, baked goods, alcohol drinks, ready-to-drink tea beverages and snacks, retail and gift shops equipped with doll machines and other popular gaming devices. We regard *Nayuki Fantasy Factory* as a birthplace of our innovative products, and we test new products and promotion ideas at *Nayuki Fantasy Factory* – popular menu items and promotion ideas may then be rolled out at regular *Nayuki* teahouses from time to time. Below are pictures of our *Nayuki Fantasy Factory* located in Shenzhen.



We also collaborate with various pop artists to incorporate their work into our teahouses and products.

- We opened our first *Nayuki's Gift* teahouse in Xiamen, China, where we have doll machines, *Nayuki* derivative products luck draw machines and other popular gaming devices installed on-site. This is a part of our *Nayuki* brand upgrade initiative – elevating our *Nayuki* teahouses to explore a more creative and interactive tea-drinking experience.

- We also launched *Nayuki's Bla Bla Bar* which provides a picturesque cocktail spot, with a menu featuring a list of cocktails with creative ingredients such as tropical fruit and floral tea, further enriching our product offering and store concepts. As of December 31, 2020, we operated a total of 20 *Nayuki's Bla Bla Bars* in major Chinese cities such as Shanghai, Shenzhen and Hangzhou. Revenues generated from *Nayuki's Bla Bla Bars* were immaterial to our Group for each year during the Track Record Period. As advised by our PRC Legal Advisor, we had been in compliance with applicable PRC laws and regulations in obtaining the liquor licenses to operate its *Bla Bla Bars* during the Track Record Period.

Our *Nayuki* Teahouse Performance

Key Performance Indicators

The following table sets forth certain key performance indicators of our *Nayuki* teahouses by geographic location during the Track Record Period.

	As of and for the year ended December 31,					
	2018		2019		2020	
	(RMB in millions)	*%*	*(RMB in millions)*	*%*	*(RMB in millions)*	*%*
Revenue						
Tier 1 cities	578.3	63.6	1,028.1	44.9	1,157.0	40.3
New Tier 1 cities	284.7	31.3	859.2	37.5	960.6	33.5
Tier 2 cities	46.5	5.1	379.2	16.5	617.0	21.5
Other cities(1)	–	–	25.0	1.1	136.3	4.7
Total	909.5	100.0	2,291.5	100.0	2,870.9	100.0
In-store cashier(2)	841.7	92.5	1,584.7	69.2	871.3	30.4
Weixin/WeChat and Alipay mini programs and *Nayuki* app(3)	–	–	310.2	13.5	1,183.2	41.2
Third-party delivery platforms(4)	67.8	7.5	396.6	17.3	816.4	28.4
Total	909.5	100.0	2,291.5	100.0	2,870.9	100.0
Number of teahouses (#)						
Tier 1 cities		87		138		170
New Tier 1 cities		58		119		170
Tier 2 cities		10		62		122
Other cities(1)		–		8		29
Total		155		327		491

	As of and for the year ended December 31,		
	2018	2019	2020
Average daily sales per teahouse (RMB in thousands)[(5)]			
Tier 1 cities	29.0	25.8	20.8
New Tier 1 cities	33.0	27.4	19.3
Tier 2 cities	46.3	34.3	19.5
Other cities[(1)]	–	37.3	26.4
Overall	30.7	27.7	20.2
Average orders per teahouse per day (#)[(6)]			
Tier 1 cities	694	608	471
New tier 1 cities	739	642	455
Tier 2 cities	949	754	470
Other cities[(1)]	–	785	604
Overall	716	642	470
Average sales value per order (RMB)[(7)]			
Tier 1 cities	41.7	42.5	44.2
New Tier 1 cities	44.6	42.7	42.5
Tier 2 cities	48.7	45.5	41.5
Other cities[(1)]	–	47.5	43.7
Overall	42.9	43.1	43.0

Notes:

(1) cities (i) in other tiers of cities across mainland China, and (ii) outside mainland China comprising Hong Kong SAR and Osaka, Japan.

(2) representing revenues derived from orders that customers place on-site in our *Nayuki* teahouses, excluding those placed through our Weixin/WeChat and Alipay mini programs and *Nayuki* app.

(3) representing revenues derived from orders that customers place through our Weixin/WeChat and Alipay mini programs and *Nayuki* app, regardless of such orders being placed remotely or on-site in our *Nayuki* teahouses.

(4) representing revenues derived from delivery orders that customers place through third-party delivery platforms.

(5) calculated by dividing the revenues generated from the relevant *Nayuki* teahouses for a particular period by the aggregate number of days of operation of such *Nayuki* teahouses during the same period.

(6) calculated by dividing the aggregate number of orders placed by customers with the relevant *Nayuki* teahouses for a particular period by the aggregate number of days of operation of such *Nayuki* teahouses during the same period.

(7) calculated by dividing the revenues generated from the relevant *Nayuki* teahouses for a particular period by the aggregate number of orders placed by customers with such *Nayuki* teahouses during the same period.

Average Daily Sales Per Teahouse

During the Track Record Period, our average daily sales per teahouse for *Nayuki* decreased over the periods, primarily due to a combination of the following reasons:

- *Initial brand and new store effects followed by a normalizing growth trajectory*. When we first tapped into a new market, we typically experienced "opening customer traffic" and higher sales volume due to our strong brand equity and pre-opening marketing efforts, which then returned to a normalized level over time in a way that is consistent with other comparable premium teahouse brands.

- *Widely dispersed customer visits and orders*. When there is only one or a limited number of *Nayuki* teahouses in a market, customer visits and orders will naturally concentrate in such teahouse(s). As we continue to open new teahouses in that particular market, irrespective of how rapid such network expansion is, customers will have more options to choose which teahouses to visit, depending on their locations, time preferences, consumption scenarios, among other personal preferences. Accordingly, customer visits and orders in any of these teahouses will be naturally diluted to varying degrees.

As a result, when a new *Nayuki* teahouse commences operation in a new market, it typically attracts customer traffic both within and outside of its local community or neighborhood. As the number of teahouses within the particular market continues to grow, customer traffic and sales volume of that *Nayuki* teahouse return to a normalized level that generally matches the population density of the area that the particular *Nayuki* teahouse was originally expected to cater to. Accordingly, we have observed a normalizing growth trajectory that is generally manifest amongst our *Nayuki* teahouses in a market, which typically comprises of two stages, namely (i) the initial stage featured with initial higher sales volume followed by declining average daily sales per teahouse, and (ii) the stabilizing stage evidenced by substantially narrowing fluctuations in the average daily sales per teahouse of *Nayuki* teahouses. According to CIC, such normalizing growth trajectory of our *Nayuki* teahouses is generally followed by and consistent with other comparable leading premium teahouse brands within our industry.

To illustrate such normalizing trajectory, we have selected, within each of Tier 1 cities, New Tier 1 cities and Tier 2 cities, the largest city in terms of the number of *Nayuki* teahouses, namely Shenzhen in Tier 1 cities, Wuhan in New Tier 1 cities and Foshan in Tier 2 cities (collectively, the "**Representative Cities**"), where we have a longer operating history and more established presence among cities within each of their respective city tiers. Additionally, since we entered into the Representative Cities at different times, we believe that the operating statistics of *Nayuki* teahouses located in the Representative Cities provide helpful visibility into the overall performance of our *Nayuki* teahouses.

Set forth below are the number of Nayuki teahouses and average daily sales per teahouse of Nayuki teahouses located in the Representative Cities as of the dates or for the periods indicated.

	As of/For the year ended December 31,		
	2018	**2019**	**2020**
Shenzhen (Year of Entry: 2015)			
Number of *Nayuki* teahouses (#)	54	76	91
Average daily sales per teahouse (RMB in thousands)	26.8	26.0	21.6
Wuhan (Year of Entry: 2017)			
Number of *Nayuki* teahouses (#)	11	19	25
Average daily sales per teahouse (RMB in thousands)	35.5	28.6	24.0
Foshan (Year of Entry: 2018)			
Number of *Nayuki* teahouses (#)	3	7	13
Average daily sales per teahouse (RMB in thousands)	33.1	22.7	17.1

In particular, since *Nayuki* commenced operations in Shenzhen in 2015 and had established substantial market presence with a network of 54 *Nayuki* teahouses by the end of 2018, average daily sales per teahouse in Shenzhen has displayed an obvious stabilizing trend throughout the Track Record Period. We recorded stable average daily sales of RMB26.8 thousand and RMB26.0 thousand in 2018 and 2019, respectively. As of December 31, 2020, the number of our *Nayuki* teahouses in Shenzhen further grew to 91, and we achieved a post-pandemic average daily sales of RMB24.3 thousand in the second half of 2020.

For risks associated with cannibalization, see "Risk Factors – Risks Relating to Our Business and Industry – Opening new teahouses in existing markets may cannibalize, and thus negatively affect the performance of our existing teahouses."

Additionally, our average daily sales per teahouse for *Nayuki* experienced a material decline from RMB27.7 thousand in 2019 to RMB20.2 thousand in 2020, primarily due to the temporary disruptions caused by the COVID-19 outbreak in 2020 to our normal operations, including full-store shutdowns, limited hours of operations and reduced customer traffic. Since April 2020, we have been experiencing a steady recovery in our operating performance as the COVID-19 outbreak had been substantially contained in China. Accordingly, the average daily sales per teahouse for our *Nayuki* teahouses increased by 18.5% from RMB18.3 thousand in the first half of 2020 to RMB21.7 thousand in the second half of 2020. For details of the impact of COVID-19 outbreak on our business operations, see "Financial Information – Effects on the COVID-19 Outbreak on Our Business."

The following table sets forth average daily sales per teahouse of our *Nayuki* teahouses by year of opening during the Track Record Period.

	For the year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Average daily sales per teahouse[(1)]			
Nayuki teahouses opened before 2018	33.4	31.7	25.8
Nayuki teahouses opened in 2018	27.6	27.0	22.2
Nayuki teahouses opened in 2019	–	26.3	18.8
Nayuki teahouses opened in 2020	–	–	17.3
Overall	30.7	27.7	20.2

Note:

(1) calculated by dividing the revenues generated from the relevant Nayuki teahouses for a particular period by the aggregate number of days of operation of such Nayuki teahouses during the same period.

Our *Nayuki* teahouses of more recent vintages generally recorded relatively lower average daily sales per teahouse during the Track Record Period, primarily because, as we accelerated our pace to increase the density of our teahouse network within existing markets, we (i) no longer benefited from significant initial brand and new store effects in existing markets, and (ii) extended our *Nayuki* teahouse network to less-premium locations across an existing market where we may have reduced customer traffic as compared to the initial batches of *Nayuki* teahouses located in landmarks in that particular market. In 2019 and 2020, approximately 68.8% and 83.1% of our new *Nayuki* teahouses were opened in our existing markets, respectively.

The following table sets forth average daily sales per teahouse and number of average orders per teahouse per day of the top quartile and bottom quartile by average daily sales of our then existing *Nayuki* teahouses as of December 31, 2018, 2019 and 2020 during the Track Record Period.

	For the year ended December 31,		
	2018	**2019**	**2020**
Top quartile			
Average daily sales per teahouse (RMB in thousands)[(1)]	48.6	44.8	33.7
Average orders per teahouse per day (#)[(2)]	1,030	979	772
Bottom quartile			
Average daily sales per teahouse (RMB in thousands)[(1)]	15.1	13.4	10.2
Average orders per teahouse per day (#)[(2)]	380	338	261

Notes:

(1) calculated by dividing the revenues generated from the relevant *Nayuki* teahouses for a particular period by the aggregate number of days of operation of such *Nayuki* teahouses during the same period.

(2) calculated by dividing the aggregate number of orders placed by customers with the relevant *Nayuki* teahouses for a particular period by the aggregate number of days of operation of such *Nayuki* teahouses during the same period.

Average Orders Per Teahouse Per Day

We have longer operating history and more established presence in Tier 1 cities in China, as compared to other cities where we are still rapidly scaling our business. As we have fewer *Nayuki* teahouses in other cities outside of Tier 1 cities in China, the customer orders received by such teahouses typically are comparatively more concentrated due to the same reasons outlined above – we recorded an average number of orders per *Nayuki* teahouse per day of 694, 608 and 471 with respect to our *Nayuki* teahouses located at Tier 1 cities in 2018, 2019 and 2020, respectively, as compared to an overall average number of orders per *Nayuki* teahouse per day of 716, 642 and 470 during the same periods. As a result, we generated lower average daily sales per *Nayuki* teahouse in Tier 1 cities in China, as compared to other cities served by our teahouse network during the Track Record Period. As our presence varies from city to city, depending on the time we entered into a particular city as well as our growth strategy in such city, among others, the performance of our overall average daily sales per teahouse eventually hinges upon the city mix within our teahouse network.

Average Sales Value Per Order

During the Track Record Period, average sales value per order in *Nayuki* teahouses was generally higher than the average list price of its tea drinks and baked goods because customers typically purchase multiple items in one single order. In 2018, 2019 and 2020, customer orders with one to ten items accounted for approximately 99.7%, 99.6% and 99.5% of our total orders, respectively, among which 60.2%, 59.7% and 60.4% were those with at least two items per order. Average number of items per order of *Nayuki* teahouses remained relatively stable at 2.1, 2.4 and 2.2 in 2018, 2019 and 2020, respectively. From time to time, we also received bulk purchase orders where certain customers bought a considerable amount of tea drinks and baked goods for catering purposes.

As of December 31, 2018, 2019 and 2020, our *Nayuki* teahouse network covered 22, 49 and 68 cities in mainland China and overseas, respectively. Within our *Nayuki* teahouse network, we recorded store-level operating losses in five, nine and three cities, respectively, in 2018, 2019 and 2020, primarily because we just tapped into such cities during the respective periods and incurred substantial initial investments in in-store staff recruitment, marketing and promotion activities and rental expenses, among other things, during their ramp-up period. Nevertheless, we achieved breakeven in substantially all of our loss-making cities in 2018 and 2019 in the immediately next year. Store-level operating losses in such loss-making cities totaled RMB2.4 million, RMB5.3 million and RMB5.4 million in 2018, 2019 and 2020, respectively.

Same Store Sales and Same Store Profit

The following table sets forth the details of our same store sales and same store profit for our *Nayuki* teahouses during the Track Record Period, two important metrics that our management tracks in evaluating our teahouse network's performance. We define our same stores to be those *Nayuki* teahouses that opened for at least 300 days in both 2018 and 2019, or in both 2019 and 2020, as the case may be.

	For the year ended December 31, 2018 and 2019	For the year ended December 31, 2019 and 2020
Number of same stores (#)		
Tier 1 cities	40	90
New Tier 1 cities	9	56
Tier 2 cities	–[5]	13
Other cities[1]	–[5]	–[5]
Total	49	159

	For the year ended December 31,		For the year ended December 31,	
	2018	2019	2019	2020
Same store sales[(2)] (RMB in millions)				
Tier 1 cities	454.5	438.8	886.8	742.7
New Tier 1 cities	128.5	120.7	590.6	446.5
Tier 2 cities	–[(5)]	–[(5)]	188.9	119.3
Other cities[(1)]	–[(5)]	–[(5)]	–[(5)]	–[(5)]
Total	583.0	559.5	1,666.3	1,308.5
Same store sales YoY growth (%)				
Tier 1 cities	(3.4)%		(16.3)%	
New Tier 1 cities	(6.1)%		(24.4)%	
Tier 2 cities	–[(5)]		(36.8)%	
Other cities[(1)]	–[(5)]		–[(5)]	
Total	(4.0)%		(21.5)%	
Same store profit[(3)] (RMB in millions)				
Tier 1 cities	110.0	110.0	167.3	93.0
New Tier 1 cities	35.3	31.4	127.0	61.1
Tier 2 cities	–[(5)]	–[(5)]	55.4	22.7
Other cities[(1)]	–[(5)]	–[(5)]	–[(5)]	–[(5)]
Total	145.3	141.4	349.7	176.8
Same store profit margin[(4)] (%)				
Tier 1 cities	24.2%	25.1%	18.9%	12.5%
New Tier 1 cities	27.5%	26.0%	21.5%	13.7%
Tier 2 cities	–[(5)]	–[(5)]	29.3%	19.0%
Other cities[(1)]	–[(5)]	–[(5)]	–[(5)]	–[(5)]
Total	24.9%	25.3%	21.0%	13.5%

Notes:

(1) cities (i) in other tiers of cities across mainland China, and (ii) outside mainland China comprising Hong Kong SAR and Osaka, Japan.

(2) representing the revenue of all *Nayuki* teahouses that qualify as same stores during such period.

(3) representing same store sales minus operational costs incurred at such same stores level, comprising costs of materials, staff costs, depreciation of right-of-use assets, other rentals and related expenses, depreciation and amortization of other assets, utilities expenses and delivery expenses.

(4) calculated by dividing same store profit by same store sales.

(5) given there is no qualified same store over the relevant periods due to limited number of days of operation, statistics of sames store sales, same store profit or same store profit margin for the respective periods are not available.

For the same reasons behind changes in our average daily sales per teahouse as discussed above, we experienced decreases in our same store sales for *Nayuki* teahouses across different tiers of Chinese cities over the periods during the Track Record Period, primarily due to more widely dispersed customer visits and orders received by our existing *Nayuki* teahouses as we continued to open new *Nayuki* teahouses. In addition, our same store sales for *Nayuki* decreased from RMB1,666.3 million in 2019 to RMB1,308.5 million in 2020, representing a 21.5% year-over-year decline, primarily due to limited hours of operations and reduced customer traffic as a result of the COVID-19 outbreak. After the COVID-19 outbreak was largely contained in China, the same store sales for our *Nayuki* teahouses in the second half of 2020 returned to approximately 91.1% of that during the same period in 2019. For details of the impact of the COVID-19 outbreak on our business operations, see "Financial Information – Effects on the COVID-19 Outbreak on Our Business."

Despite the decreases in same store sales during the Track Record Period, our same store profit margin remained strong during the same period. With respect to our same stores across 2018 and 2019, same store profit margin for *Nayuki* remained stable at 24.9% and 25.3% in 2018 and 2019, respectively. With respect to our same stores across 2019 and 2020, same store profit margin for *Nayuki* temporarily dropped from 21.0% in 2019 to 13.5% in 2020 due to the impact of the COVID-19 outbreak. Nevertheless, same store profit margin for *Nayuki* of such same stores returned to 17.3% in the second half of 2020, indicating a steady post-pandemic recovery. We have enhanced our operational efficiency at the store level through improved economies of scale and more streamlined and automated in-store operation, which we believe is critical to our long-term profitable and sustainable growth. Going forward, while we will continuously drive sales of our new and existing *Nayuki* teahouses through prudent network expansion, we will seek to achieve an optimal balance between network growth and profitability by focusing more on improving our operational efficiency at the store level. To advance this goal, we have recently launched our new teahouse format, *Nayuki PRO*, which we believe have the potential to achieve strong profitability at the store level by virtue of its simplified teahouse layout and more streamlined operations. In addition, we intend to further improve our in-store operations in *Nayuki* teahouses to further optimize staffing, cost and operational efficiency at the store level. For additional details, see "– Our Growth Strategies – Further Improve Overall Operations through Enhancing Our Technology Capabilities."

In addition, consistent with the trend in our average daily sales per teahouse for *Nayuki* across different city tiers in China, we recorded relatively higher same store profit margin at lower city tiers during the Track Record Period, primarily because we generated higher sales in such teahouses at lower city tiers as a result of the (a) initial brand and new store effects, and (b) widely dispersed customer visits and orders.

Nayuki Teahouse Performance Assessment System

We have established a comprehensive performance evaluation system and incentive mechanism, or Plan A system, to assess and promote the overall performance of our *Nayuki* teahouses, which takes account of various performance metrics such as customer satisfaction, sales target achievement, in-store staff management grading, and cost control and management grading. We first introduced our Plan A system in September 2019 in selected cities in China such as Shenzhen before rolling out the Plan A system nationwide in June 2020. The following table sets forth the details of our Plan A system.

Performance Indexes	Index Weight	Details of Evaluation
Customer Satisfaction	65 points	• *Customer reviews*: *Nayuki* teahouses are ranked based on customer reviews received on Wexin/WeChat and Alipay mini programs and other third-party delivery platforms. Top-ranked *Nayuki* teahouses amass higher points. • *Order preparation time*: *Nayuki* teahouses with shorter average order preparation time are credited with higher points. • *Internal audit*: A *Nayuki* teahouse's points may be deducted if it failed to pass our internal audit team's regular audits.
Sales Target Achievement	20 points	• *Sales target achievement*: We compare a *Nayuki* teahouse's actual monthly sales against its sales target and credit points of different levels to that *Nayuki* teahouse based on its ranking.

Performance Indexes	Index Weight	Details of Evaluation
In-store Staff Management	20 points	• *Staff retention*: *Nayuki* teahouses with a higher monthly staff retention rate receive higher points. • *Staff efficiency*: We compare a *Nayuki* teahouse's monthly sales against the total work hours of its in-store staff, and *Nayuki* teahouses with higher staff efficiency receive higher points. • *Number of in-store staff*: *Nayuki* teahouses with the number of in-store staff closer to the target determined by the management are credited with higher points. • *Staff development*: We pay close attention to staff development in our *Nayuki* teahouses, and the points a Nayuki teahouse can get under the in-store staff management index are also associated with the promotion and development of its in-store staff, especially the newly recruited.
Cost Control and Management	15 points	• *Cost control and management*: We compare a *Nayuki* teahouse's use of materials, including raw materials and packaging materials, as well as raw materials waste against its monthly operating profit and credit points of different levels to that *Nayuki* teahouse based on its ranking.

All of our *Nayuki* teahouses are evaluated on a monthly basis. Based on their overall performance, our *Nayuki* teahouses are graded under three classes, among which the highest class represents the top-ranked 30% *Nayuki* teahouses while the lowest class represents the bottom-ranked 20%. Each class represents a distinct level of financial rewards that the in-store staff of the particular class of *Nayuki* teahouses are entitled to. We take steps to improve the operations of underperforming teahouses. For example, for *Nayuki* teahouses that receive lower points with respect to customer satisfaction, we may require the teahouse managers to frequently greet and engage customers during busy hours and make sure they are well served. We may also help the relevant *Nayuki* teahouses to shorten the order preparation time by requiring additional trainings and practices to be conducted to familiarize the in-store crew with the food preparation process. In the event that any *Nayuki* teahouse is graded as the lowest class for three months in a row, we replace the teahouse manager of such underperforming teahouse with an external hire or a teahouse manager from a top-class *Nayuki* teahouse. We offer attractive incentives to the successive teahouse managers in order to motivate their future efforts to improve the performance of such underperforming teahouses.

THE *NAYUKI* CUSTOMER EXPERIENCE

Our customers' *Nayuki* experience begins in each *Nayuki* teahouse they visit. They are often attracted by our *Nayuki* teahouses' premium locations and common design elements, such as elegant decorations, ceramic tiled floors, bright and warm lighting, and spacious sit-down area. We take pride in such *Nayuki* elements and characteristics, through which we strive to make our *Nayuki* teahouses anchors of our customers' community life and places where our customers encounter familiar faces, make new acquaintances and enjoy relax lifestyle.

We strive for a taste of perfection extending beyond a cup of fresh tea. We have been promoting the concept of pairing freshly-made tea drinks with handcrafted baked goods in China. We adopt a "front shop, back factory" model to freshly make our baked goods within most of our regular *Nayuki* teahouses to ensure a fresher and better taste. We have also introduced a variety of food and beverage, such as snacks and coffee, in our *Nayuki PRO* teahouses to enrich the product offerings at *Nayuki*.

We believe that our in-store crew differentiates our *Nayuki* experience. We focus on finding employees who embrace our commitment to product innovation and service quality. We encourage our in-store crew to be cheerful so that every customer visiting our *Nayuki* teahouse is welcomed by an uplifting vibe. We believe our crew's commitment to our customer experience contributes to better service quality and drives customer loyalty.

We have established an integrated standardized supplier and ingredients selection and procurement system and design and provide the relevant employees with comprehensive training to ensure a standardized production process and an overall enjoyable customer experience. Our employees are required to attend comprehensive training classes and pass various internal qualification examinations before working in a *Nayuki* teahouse. All *Nayuki* teahouses are equipped with automated tea-brewing machine and we also brew new tea bases every four hours to ensure the quality and consistency of our tea drinks across our teahouses. We also adopt other automated machines and a centralized teahouse management system to ensure consistencies of our products across all *Nayuki* teahouses.

Delivered at Your Doorstep

To allow our customers to enjoy our freshly-made tea drinks and handcrafted baked goods more easily and conveniently at work or at home, we offer customers with options of ordering online through diversified channels, such as our Weixin/WeChat and Alipay mini programs, *Nayuki* app and third-party delivery platforms, such as Meituan (美团) and Ele.me (餓了麼) and fulfill customer orders with speedy and reliable delivery services. We entered into standard platform service agreements with Weixin/WeChat and Alipay in accordance with industry norm to allow our customers to easily access our products and services and place orders via our mini programs on Weixin/WeChat and Alipay platforms. Pursuant to the platform service agreements with Weixin/WeChat and Alipay, we pay customary platform service fees at a fixed rate ranging from 0.2% to 0.6% of total sales volume derived from our mini program through the relevant platform to Weixin/WeChat and Alipay. We have integrated our presence on various social media platforms with those of our delivery service providers. Such integration allows us to improve order-rider matching based on our teahouse location, customer location and real-time location of delivery riders, and monitor and track the delivery process.

With respect to customers' delivery orders placed via third-party delivery platforms, we typically reply on such platforms to deliver our products to customers. Set forth below are key contractual terms of our agreements with third-party delivery platforms:

- *Term.* Our agreement with third-party delivery platforms typically has a term of one year, subject to renewal by mutual agreement.

- *Delivery services*. Third-party delivery platforms are responsible for ensuring our products are delivered in time and shall be responsible for any losses caused by delays in delivery. We require delivery persons of the third-party delivery platforms to be well equipped to secure quality and safety of our products in transmit.

- *Service fees*. We are required to pay customary service fees at a fixed rate ranging from 10% to 15% of total transaction amount generated through such delivery platforms to the third-party delivery platforms for their platform and delivery services.

- *Payment settlement*. Third-party delivery platforms collect customer payments on our behalf and settle such payments with us typically within days, net of service fees we shall pay to the third-party delivery platforms. We typically bear the liabilities for any losses of our customers or the third-party delivery platforms arising from payment collection, unless such losses shall only attributable to the third-party delivery platforms. During the Track Record Period, we did not bear any material losses arising from payment settlement with respect to sales generated from third-party delivery platforms.

- *Product quality*. Generally we are responsible for securing food safety and product quality of our products to be delivered. We shall be liable for any losses of our customers or the third-party delivery platforms with respect to any food safety and product quality issues, unless such issues shall only be attributable to the third-party delivery platforms during the course of delivery. During the Track Record Period, we did not bear any material losses arising from product quality issues with respect to sales generated from third-party delivery platforms.

With respect to customers' delivery orders placed via our Weixin/WeChat and Alipay mini programs and *Nayuki* app, we usually arrange for product delivery. We work with reputable third-party delivery partners such as SF City Rush (順豐同城), Meituan Delivery (美團配送) and Dada Delivery (達達快送) to deliver our products to customers. These delivery partners typically charge us a fixed delivery service fee for every order they deliver. Other than such fee arrangement with these delivery partners, other customary contractual terms, including term of contract, requirements on delivery services, payment settlement and product quality, are generally identical to those we enter into with third-party delivery platforms, as disclosed in details above.

In 2018, 2019 and 2020, approximately 4.4%, 12.5% and 22.9% of our *Nayuki* orders, respectively, were delivery orders placed by our customers through our Weixin/WeChat and Alipay mini programs, *Nayuki* app and other third-party delivery platforms. Accordingly, revenues generated from such delivery orders accounted for approximately 7.5%, 17.3% and 31.9% of our total revenues generated by our *Nayuki* teahouses during the same periods, respectively. Our delivery orders witnessed a significant increase in 2020, primarily due to social distancing, quarantines and lockdowns during the COVID-19 outbreak in early 2020. The overall increase in our delivery orders during the Track Record Period is also attributable to (i) our *Nayuki* teahouse network expansion, (ii) expanded delivery channels which resulted in a wider customer reach, and (iii) effective online and offline marketing and promotion activities. As customers have been increasingly relying on online channels to purchase our *Nayuki* products, especially during the COVID-19 outbreak, we seek to accelerate the process to automate and optimize our business operations and continue to enhance our technology capabilities to offer satisfying customer experience, which we believe will help us to capture the attractive online retailing business opportunities post-pandemic. See "Business – Our Growth Strategies" for details.

Customer Opinions Matter

We value our customers' opinions and encourage our customers to provide feedback. We carefully analyze such feedback, through which we identify causes of customer dissatisfaction and improve our products and services accordingly. We utilize various channels to solicit customers' feedback, including handing out concise customer surveys in-store to ask for feedback on our *Nayuki* products and pushing online customer surveys via various social media platforms such as Weixin/WeChat, Weibo, Meituan Dianping, and the *Nayuki* official accounts on Weibo and Weixin/WeChat. We strive to tirelessly craft our existing *Nayuki* products and introduce new innovative products by incorporating our customers' opinions and feedbacks. Our *Nayuki* teahouse managers also review customers' unsolicited reviews and feedback on Meituan Dianping and other social media platforms on a daily basis to improve the overall customer experience and drive customer satisfaction.

We also launched our *Nayuki* incentive initiative to holistically evaluate all *Nayuki* teahouses, with a critical focus on customer satisfaction. Under such initiative, employees of outperforming *Nayuki* teahouses will be financially rewarded. See "– Our *Nayuki* Premium Modern Teahouses – Our *Nayuki* Teahouse Performance – *Nayuki* Teahouse Performance Assessment System" for more details.

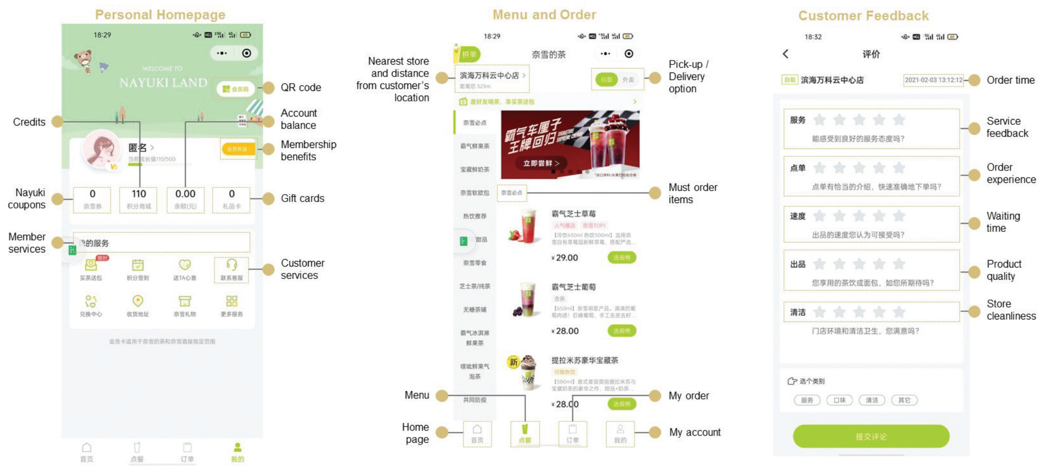
During the Track Record Period and up to the Latest Practicable Date, we had not received any material customer complaint with respect to any of our teahouses or products.

Nayuki Membership Program

We rolled out our current *Nayuki* membership program in September 2019 to consolidate and better understand our massive customer base. Members are able to accumulate points after shopping at any *Nayuki* teahouse or through our Weixin/WeChat and Alipay mini programs and *Nayuki* app. The membership program is currently classified into six membership tiers based on a member's spending amount in a six-month cycle and each tier allows the members to enjoy different privileges. For example, each Level 2-6 *Nayuki* member will receive one free drink voucher on his or her birthday. When a member levels up, we credit coupons to his or her membership account for use at our teahouses. Points accumulated in each account can also be used by our members to redeem certain products for free. Our *Nayuki* membership base had experienced a rapid growth, with the number of registered members significantly increasing from 9.3 million as of December 31, 2019 to 27.9 million as of December 31, 2020, and further to 35.3 million as of the Latest Practicable Date. In 2020, approximately 49.0% of the total number of our *Nayuki* orders was contributed by our *Nayuki* members.

Through our *Nayuki* membership program, we engage a vast base of active members with various member benefits and activities. The number of our active members has grown from 2.0 million in the fourth quarter of 2019 to 5.8 million in the fourth quarter of 2020. In the fourth quarter of 2020, 29.8% of such active members were repeat members, as compared to that of 25.6% in the fourth quarter of 2019, which was higher than the industry average according to CIC. In addition, as we are still in a ramp-up stage of rapidly growing our *Nayuki* member base and enhancing customer loyalty, we have been dedicated to forging a lasting connection with our *Nayuki* members through a broad array of member activities. For example, we have created multiple Wexin/WeChat groups in neighborhoods across different geographic areas in China as a forum where to share sales information, interact with our customers and build customer communities.

Our Weixin/WeChat and Alipay mini programs and *Nayuki* app cover the entire customer purchase process with user friendly interfaces. Through our Weixin/WeChat and Alipay mini programs and *Nayuki* app, our customers can easily join our membership program and choose the nearest teahouse automatically recommended and view other teahouse options, place delivery and pickup orders, make payments using a variety of payment options, and receive real-time order status updates. The following pictures illustrate the interfaces and key functions of our membership program.



We are in the process of integrating customer and transaction data generated from our membership program across different social media platforms. As the number of registered members on our membership program continues to increase rapidly, we have been leveraging the vast customer and transaction data generated by the membership program to analyze customer preferences and refine and develop our products and services. For example, as we learn our customers' preferences from our improved data insights, we will be able to more precisely recommend products to them for an easier and more intuitive ordering experience. We will also be able to design *Nayuki* gifts and retail products, such as seasonal gift sets and *Nayuki*-themed products, incorporating the valuable insights gained from our customers' data.

As advised by our PRC Legal Advisor, we are not required by the applicable PRC laws and regulations to obtain any licenses that are subject to foreign ownership restrictions in relation to the operation of our Wexin/WeChat and Alipay mini programs or *Nayuki* app. In particular, we are not required to obtain the license for value-added telecommunication services in relation to the operation of (i) our Wexin/WeChat and Alipay mini programs because such mini programs are merely used as channels to offer our products and services to customers, and we do not operate the platforms such mini programs rely on, and (ii) *Nayuki* app, since we do not generate revenues from providing Internet information services via our *Nayuki* app, but rather leverage it as a sales and distribution channel to offer our products and services to end customers.

OUR SUB-BRAND TEAHOUSES – *TAI GAI*

We established *Tai Gai* in 2015 to offer a diverse selection of freshly-made tea drinks. Through *Tai Gai*, we mainly offer a selection of classic milk tea and lemon tea drinks, inspired by our goal to bring the original taste and fragrance of tea to young customers in China. Consistent with our strategies for *Nayuki*, we strive for developing new *Tai Gai* products with thoughtfulness and commitment to quality. We generally follow the same policies and procedures as *Nayuki* in every key aspect of *Tai Gai*'s business operations, from supply chain management to food safety, from employee training to quality control.

The following pictures are our *Tai Gai* teahouse and signature tea drinks on *Tai Gai*'s menu.

Unlike *Nayuki* which mainly attracts the rising affluent urban population with a wider age group, *Tai Gai* mainly focuses on the younger generation of customers, including students and young office workers who are generally more price sensitive. Therefore, we purposefully price our *Tai Gai* products at a relatively lower price range as compared to that of *Nayuki*. The list prices of our *Tai Gai* products typically range from RMB7.0 to RMB26.0. As of the Latest Practicable Date, the average list price for our *Tai Gai* products was approximately RMB16, compared to an average list price of RMB27 for the freshly-made tea drinks offered by *Nayuki*.

Beyond our *Tai Gai* products, we aspire to create a community for our *Tai Gai* fans to socialize and enjoy life. For example, we have created a virtual character for *Tai Gai* on social networking platforms such as Weibo and Weixin/WeChat to build a lasting bonding with our customers. Through such virtual character, our dedicated sales staff frequently interact with our *Tai Gai* customers and launch various marketing and promotion campaigns, which we believe have helped enhance our customer satisfaction and retention.

We strategically build our *Tai Gai* teahouses in areas with high pedestrian traffic and high concentrations of our target customers, such as commercial complexes and shopping malls, business districts, schools and colleges and large scale residential districts, with the goal to make it more convenient for our consumers to make purchases and enhance the visibility of our brand and products. Similar to our *Nayuki* teahouses, we take into consideration of various factors when selecting locations for our *Tai Gai* teahouses, which include geographic distance between our *Tai Gai* teahouses. A typical *Tai Gai* teahouse is between 20 and 100 square meters in size. Substantially all of our *Tai Gai* teahouses adopt the same basic design features, including storefront, teahouse interior decorations and displays. We believe that our uniform teahouse design for *Tai Gai* strengthens brand recognition, improves the efficiency of expansion of stores and lower the risks of counterfeit.

As of the Latest Practicable Date, we had 63 *Tai Gai* teahouses in eight cities in China. The following table sets forth the movement in the number of our *Tai Gai* teahouses during the Track Record Period and up to the Latest Practicable Date.

	For the year ended December 31,			For the period from January 1, 2021 up to the Latest Practicable
	2018	2019	2020	Date
Number of *Tai Gai* teahouses at the beginning of the period	37	83	83	64
Number of new *Tai Gai* teahouses opened during the period	51	14	7	3
Number of *Tai Gai* teahouses closed during the period	(5)	(14)	(26)	4
Number of *Tai Gai* teahouses at the end of the period	83	83	64	63

During the Track Record Period and up to the Latest Practicable Date, the number of *Tai Gai* teahouses decreased from 83 as of December 31, 2018 to 63 as of the Latest Practicable Date, primarily because we shifted our growth strategies for *Tai Gai*. Historically, we marketed *Tai Gai* as a brand complementary to our flagship premium modern teahouse brand of *Nayuki* to reach diversified customer demographics and capture more market opportunities in China's growing freshly-made tea shops market. In view of the increasingly intensified market competition and differentiation among non-premium teahouse brands, the management believed it was in the best interests of our Group to prudently manage the growth of *Tai Gai*. Towards this end, the Company started to adjust its growth strategies for *Tai Gai* in 2018, with a shifting focus on mid- to low-end tea shops markets to address long-tail consumption needs and better distinguish *Tai Gai*'s market positioning from *Nayuki*. As part of the strategic shift, we exited certain cities and decided to deepen our penetration in the existing markets where *Tai Gai* has already achieved initial market acceptance, with a view to optimizing resource allocations and improving overall business performance of *Tai Gai*. Accordingly, we expect to open approximately 10 to 20 new *Tai Gai* teahouses for each year of 2021, 2022 and 2023, respectively, in cities such as Shenzhen and Wuhan where we have already achieved initial customer acceptance.

The following table sets forth certain key performance indicators of our *Tai Gai* teahouses during the Track Record Period.

	As of and for the year ended December 31,		
	2018	**2019**	**2020**
Revenue (RMB in millions)			
In-store cashier[(1)]	137.9	135.9	56.0
Weixin/WeChat and Alipay mini programs[(2)]	–	7.1	39.2
Third-party delivery platforms[(3)]	17.8	42.2	57.8
Total	155.7	185.2	153.0
Number of teahouses (#)	83	83	64
Average daily sales per teahouse (RMB)[(4)]	7,537	6,387	6,140
Average orders per teahouse per day (#)[(5)]	249	216	223
Average sales value per order (RMB)[(6)]	30.3	29.6	27.6

Notes:

(1) representing revenues derived from orders that customers place on-site in our *Tai Gai* teahouses, excluding those placed through our Weixin/WeChat and Alipay mini programs.

(2) representing revenues derived from orders that customers place through our Weixin/WeChat and Alipay mini programs, regardless of such orders being placed remotely or on-site in our *Tai Gai* teahouses.

(3) representing revenues derived from delivery orders that customers place through third-party delivery platforms.

(4) calculated by dividing the revenues generated from the relevant *Tai Gai* teahouses for a particular period by the aggregate number of days of operation of such *Tai Gai* teahouses during the same period.

(5) calculated by dividing the aggregate number of orders placed by customers with the relevant *Tai Gai* teahouses for a particular period by the aggregate number of days of operation of such *Tai Gai* teahouses during the same period.

(6) calculated by dividing the revenues generated from the relevant *Tai Gai* teahouses for a particular period by the aggregate number of orders placed by customers with such *Tai Gai* teahouses during the same period.

Revenues derived from our *Tai Gai* teahouses decreased from RMB185.2 million in 2019 to RMB153.0 million in 2020, primarily due to (i) the disruptions to our normal operations caused by the COVID-19 outbreak, including full-store shutdowns, limited hours of operations and reduced customer traffic, and (ii) the decrease in number of teahouses as a result of our shifted growth strategies for *Tai Gai* as outlined above.

Our average daily sales per teahouse for *Tai Gai* experienced a decrease from RMB7,537 in 2018 to RMB6,387 in 2019, primarily due to the fluctuations in customer demands as we decided to strategically shift away from driving *Tai Gai*'s growth in the short term. For example, we extended our *Tai Gai* teahouse network to less-premium yet cost-effective locations across a city where we may have reduced customer traffic as compared to other *Tai Gai* teahouses. The decrease in average daily sales per teahouse for *Tai Gai* from RMB6,387 in 2019 to RMB6,140 in 2020 was primarily attributable to the impact of the COVID-19 outbreak.

The following table sets forth average daily sales per teahouse of our *Tai Gai* teahouses by year of opening during the Track Record Period.

	For the year ended December 31,		
	2018	**2019**	**2020**
Average daily sales per teahouse (RMB)			
Tai Gai teahouses opened before 2018	8,536	7,973	7,644
Tai Gai teahouses opened in 2018	5,943	5,586	5,487
Tai Gai teahouses opened in 2019	–	3,364	4,188
Tai Gai teahouses opened in 2020	–	–	5,881
Overall	7,537	6,387	6,140

Average daily sales per teahouse for *Tai Gai* teahouses opened in 2019 increased from RMB3,364 in 2019 to RMB4,188 in 2020, primarily because we closed five underperforming *Tai Gai* teahouses over the relevant periods that dragged down the average daily sales level in 2019.

As of December 31, 2018, 2019 and 2020, our *Tai Gai* teahouse network covered 15, 13 and 9 cities in China, respectively. Within our *Tai Gai* teahouse network, we recorded store-level operating losses in nine, nine and ten cities in China, respectively, in 2018, 2019 and 2020. Store-level operating losses in such loss-making cities totaled RMB7.2 million, RMB4.9 million and RMB4.6 million in 2018, 2019 and 2020, respectively. Among the ten cities in which we recorded store-level operating losses for *Tai Gai* in 2020, (i) while we had ceased operations in two cities in 2019, we recognized certain costs and expenses at the store level in 2020, which were incurred in connection with restoration of the properties that we leased for our *Nayuki* teahouses in such two cities, which led to the store-level operating losses, and (ii) we had exited another four cities by the end of 2020.

The following table sets forth the details of our same store sales for our *Tai Gai* teahouses during the Track Record Period. Same store sales for a given period refer to the revenue of all *Tai Gai* teahouses that qualify as same stores during such period. We define our same stores to be those *Tai Gai* teahouses that opened for at least 300 days in both 2018 and 2019, or in both 2019 and 2020, as the case may be.

	For the year ended December 31,		For the year ended December 31,	
	2018	2019	2019	2020
Number of same stores (#)	31		49	
Same store sales (RMB in millions)	112.3	100.2	130.8	115.1
Same store sales PoP growth (%)	(10.7)%		(12.0)%	
Same store profit(1) (RMB in millions)	22.2	21.0	26.8	20.2
Same store profit margin(2) (%)	19.8%	21.0%	20.5%	17.6%

Notes:

(1) representing same store sales minus operational costs incurred at such same stores level, including costs of materials, staff costs, depreciation of right-of-use, other rentals and related expenses, depreciation and amortization of other assets, utilities expenses and delivery expenses.

(2) calculated by dividing same store profit by same store sales.

Same as average daily sales per teahouse, our same store sales for *Tai Gai* decreased from RMB112.3 million in 2018 to RMB100.2 million in 2019, primarily due to the temporary fluctuations in customer demands during the course of our strategic shifts for our *Tai Gai*'s growth. In addition, the decrease in the same store sales for *Tai Gai* from 2019 to 2020 was primarily attributable to the impact of the COVID-19 outbreak. Despite the decrease in same store sales, our same store profit margin for *Tai Gai* increased from 19.8% in 2018 to 21.0% in 2019, primarily due to change of product mix as part of our strategic shifts to improve overall profitability. Same store profit margin for *Tai Gai* decreased from 20.5% in 2019 to 17.6% in 2020, primarily due to the impact of the COVID-19 outbreak. For details of the impact of COVID-19 outbreak on our business operations as a whole, see "Financial Information – Effects on the COVID-19 Outbreak on Our Business."

We believe that we benefit from the organic synergies between our flagship premium modern teahouse brand *Nayuki* and sub-brand *Tai Gai*. We have leveraged *Nayuki's* strong bargaining power to lower procurement and other operational costs for *Tai Gai*, and we continuously optimize the business operations of *Tai Gai* through advanced technologies and massive data that we accumulated through our *Nayuki's* large-scale operations. In return, we continue to leverage the product development platform and vibrant customer base of *Tai Gai* to experiment new, innovative products.

OUR CUSTOMERS

Our teahouses appeal to a broad demographic of customers consisting of different occupations, income segments and age groups. We sell our products directly to consumers through an extensive network of self-operated teahouses across China and also various online platforms including our Weixin/WeChat and Alipay mini programs and *Nayuki* app. From time to time, we also sell our products to certain corporate customers. As a retail-based teahouse network, our customer base is highly diversified and therefore we were not subject to any material concentration during the Track Record Period. For the years ended December 31, 2018, 2019 and 2020, revenues from our five largest customers accounted for less than 1.0% of the Group's total revenue.

BRANDING AND MARKETING

We believe *Nayuki* will become the go-to premium modern teahouse of China and this identity anchors our branding and marketing efforts:

- *Premium Teahouse Location*. We open teahouses in upscale shopping malls and other premium locations to exemplify the premium brand value of *Nayuki*. This location selection strategy also makes our *Nayuki* products and experience more accessible to a large customer base across major cities in China. By meticulously choosing locations for each of our *Nayuki* teahouses, we believe we have significantly increased brand visibility and enhanced brand awareness.

- *Focus on Product Innovation*. We are dedicated to continuous product innovation. We believe that great products speak for the brand. With this belief, we continue to innovate and refine our menu to cater to the latest customer preference. For example, our *Supreme Cheese Grape Tea* debuted in March 2020 has proven to be a great success. In 2020 alone, our customers ordered a total of approximately 6.0 million cups of *Supreme Cheese Grape Tea*, which made it one of our top three best-selling classic tea drinks in 2020. Our continuous efforts on product innovation have enabled us to foster a large and growing customer base.

- *Enjoyable Nayuki Customer Experience*. We strive to attract repeat visits by providing customers with an enjoyable in-store experience and creative and quality products. *Nayuki* customers very often take selfies and pictures with our thoughtfully designed *Nayuki* teahouses, and our artisanal drinks and baked goods and share them on social media. We believe that the *Nayuki* experience inspires our customers to continue visiting *Nayuki* teahouses and recommend us to others. We believe this word-of-mouth referral is the best and most effective method of building a household brand.

- *Effective Social Media Marketing Campaigns*. *Nayuki* grew up with the emergence of social media and has benefited from its passionate fans who resonate with the lifestyle embodied by our products, experiences and communities. What our customers like drive our branding and marketing efforts. From time to time, we launch a variety of co-branding campaigns with trending lifestyle brands which echo our brand value. In the past, we have collaborated with *Douyin*, *Li Ning*, *Under Armour*, *VOSS*, *Dove* and others in organizing online and offline promotion events, launching limited edition tea drinks, tea mugs and partnering on other branding and product development campaigns. When we join our co-branding partners in creating their products, we license our intellectual property rights to them to allow our trademark to be placed on price tags and labels of the co-created products, and *vice versa*. For certain collaborations, we also use our co-branding partners' products such as lemon tea in our products. Fee and other commercial arrangements relating to such co-branding campaigns are negotiated between our co-branding partners and us and are determined on a case-by-case basis, depending on the form of co-branding campaigns as well as the host brand of the co-created products, among other things. We believe such co-branding initiatives are effective in maintaining and promoting our brand awareness. We leverage social media platforms to spread our customers' in-store experience and quality products, co-branding events and other campaigns. We actively work with social media platforms, such as Douyin, Weixin/WeChat and Weibo to promote our campaigns and create *Nayuki*-related topics to encourage viral dissemination of our brand name. We believe our active social media management has in the past helped us to build a strong presence among younger customers and will continue to assist us in maintaining and increasing our customer base.

- *Loyal Member Community*. We aim to establish long-standing connections with our customers and become a part of their daily lives. We continue to enhance customer engagement through creating a loyal and active member community. Our *Nayuki* membership base had experienced a rapid growth, with the number of registered members significantly increasing from 9.3 million as of December 31, 2019 to 27.9 million as of December 31, 2020, and further to 35.3 million as of the Latest Practicable Date. In 2020, approximately 49.0% of the total number of our *Nayuki* orders was contributed by our *Nayuki* members. The number of our active members has grown from 2.0 million in the fourth quarter of 2019 to 5.8 million in the fourth quarter of 2020. In the fourth quarter of 2020, 29.8% of such active members were repeat members, which was higher than the industry average according to CIC.

Through these branding and marketing efforts, our Directors are of the view, and are concurred by CIC, that we are well positioned to achieve *Nayuki's* sustainable growth, making it a long-lasting premium teahouse brand among customers across China.

SUPPLY CHAIN MANAGEMENT

We believe that maintaining the high quality of our products depends largely on our ability to acquire the best available ingredients and other necessary supplies from reliable suppliers.

Procurement

Overview of Procurement Process

We primarily procure (i) ingredients used in our tea drinks and baked goods such as tea leaves, seasonal fruits, fresh dairy products and fruit juices, and (ii) packaging materials and low value consumables such as tea cups and paper bags.

We have established a dedicated procurement team at our headquarters that is responsible for our centralized supply chain management. We particularly place a significant focus on the procurement of major ingredients, which have a material and direct impact on the quality and flavor of our freshly-made tea drinks and handcrafted baked goods, and in turn, our brand reputation. Therefore, we have been and will continue selecting our suppliers for major ingredients and optimizing our ingredient procurement process with extra care to ensure a consistent level of quality and flavor in our tea drinks and baked goods, while reducing procurement costs and improving our long-term profitability.

- *Tea leaves*. We source quality tea leaves directly from reputable third-party tea farms, rather than using tea powders. For example, we have entered into a multi-year partnership with a Taiwanese premium tea farm through its exclusive authorized agent, securing the supply of the award-winning *Alishan Mountain Dew Tea*. We usually pay on-site visits to the tea farms to select fresh tea leaves, which will be further processed by our manufacturing partners according to our specifications.

- *Fresh fruits*. As fresh fruits usually have shorter shelf lives, we directly collaborate with local farming communities to ensure freshness and flavor. Additionally, through our partnerships with reliable import traders with broad global footprints, we have access to imported fruits throughout a year. For example, cherries sourced from Chile, green grapes from Peru and grapefruits from Israel, among others, are ingeniously used in our assorted tea drinks to offer customers a consistently enjoyable and refreshing tea-drinking experience.

- *Dairy products*. We only use premium dairy products in our tea drinks and baked goods. In particular, we use imported cream for preparation of our handcrafted baked goods. To maintain its freshness and quality, fresh milk used in our products is delivered to our teahouses every two or three days.

- *Fresh fruit juices*. We source fresh fruit juices to our exacting flavor standards from selected third-party suppliers to concoct our freshly-made tea drinks. To better control the procurement costs and secure the desired flavor of our tea drinks, we started to directly partner with qualified juice factories in April 2020 to process quality fruits into fresh fruit juices catering to our specific demands.

Through our in-store inventory management system, we actively monitor the shelf lives before opening of our major ingredients. The tea leaves we use typically have a shelf life of approximately 18 months, while the fresh fruit juices typically have shelf lives of approximately 9 to 12 months. In addition, we have rigorous measures and procedures in place to ensure the quality and freshness of ingredients used in our tea drinks and baked goods. For details, see the section headed "– Food Safety and Quality Control – Quality Control over Supply of Ingredients."

During the Track Record Period, we incurred costs of materials of RMB384.0 million, RMB915.7 million and RMB1,159.3 million in 2018, 2019 and 2020, respectively, accounting for 35.3%, 36.6% and 37.9% of our total revenues during the relevant periods.

Procurement Cost Control

A sensitivity analysis on the fluctuation in cost of materials during the Track Record Period is set forth below, which illustrates the hypothetical effects on our loss with different levels of increase or decrease in our cost of materials. Since a number of assumptions have been applied, this sensitivity analysis is for illustrative purposes only, and actual results may differ from those illustrated below.

Hypothetical changes in raw materials and consumables used in 2018	**10%**	**5%**	**2%**	**1%**	**-1%**	**-2%**	**-5%**	**-10%**
				(in RMB thousands)				
Raw Material and consumables used	422,345	403,148	391,629	387,790	380,111	376,271	364,753	345,555
Changes in raw materials and consumables used	(38,395)	(19,198)	(7,679)	(3,840)	3,840	7,679	19,198	38,395
Changes in profit for the year	(28,796)	(14,398)	(5,759)	(2,880)	2,880	5,759	14,398	28,796

Hypothetical changes in raw materials and consumables used in 2019	**10%**	**5%**	**2%**	**1%**	**-1%**	**-2%**	**-5%**	**-10%**
				(in RMB thousands)				
Raw Material and consumables used	1,007,218	961,436	933,966	924,810	906,496	897,340	869,870	824,088
Changes in raw materials and consumables used	(91,565)	(45,783)	(18,313)	(9,157)	9,157	18,313	45,783	91,565
Changes in profit for the year	(68,674)	(34,337)	(13,735)	(6,867)	6,867	13,735	34,337	68,674

Hypothetical changes in raw materials and consumables used in 2020	**10%**	**5%**	**2%**	**1%**	**-1%**	**-2%**	**-5%**	**-10%**
				(in RMB thousands)				
Raw Material and consumables used	1,275,254	1,217,288	1,182,508	1,170,915	1,147,729	1,136,136	1,101,356	1,043,390
Changes in raw materials and consumables used	(115,932)	(57,966)	(23,186)	(11,593)	11,593	23,186	57,966	115,932
Changes in profit for the year	(86,949)	(43,475)	(17,390)	(8,695)	8,695	17,390	43,475	86,949

As is customary in our industry, we typically are not able to immediately pass the price fluctuations in our cost of materials to our customers. As a result, we generally leverage our procurement cost control to maintain and enhance our profitability.

We have implemented a number of procurement cost control measures in order to mitigate the impact of market price fluctuations. Set forth below are the key measures that we have taken to manage our procurement costs:

- continuing the efforts to source our major ingredients directly from their regions of origin and enhance the collaborations with our suppliers to secure competitive pricing of raw materials;

- leveraging our centralized procurement and strong brand recognition to increase bargaining power over our raw materials suppliers, thereby optimizing procurement costs;

- upgrading our inventory management and other in-store operation systems for more accurate inventory forecasting and effective inventory management to limit overall wastage and improve cost efficiency; and

- constantly monitoring the market prices of raw materials and optimize inventory levels accordingly.

We plan to continue our procurement cost control efforts to maintain our long-term profitable growth.

Our Suppliers

Supplier Selection and Management

We maintain a list of qualified suppliers of tea leaves, fresh dairy products, fresh fruits and other ingredients and materials necessary for the making of our products. In 2020, we partnered with over 250 reputable raw materials suppliers, among which we had an average of more than two years of collaboration with the top ten suppliers. Before engaging a new supplier, our procurement department pre-screens supplier candidates based on their certificates and qualifications, production capacity, quality control systems, sources of raw materials, sales volume, customer profile, reliability, and market reputation. In addition, we conduct on-site inspections to ensure that they and their products comply with our quality standards. We only partner with selected suppliers that pass such pre-screening and on-site inspections. We also have dedicated quality control specialists to conduct regular and random on-site audits on our suppliers on an ongoing basis to ensure the quality of the supplies. We periodically review and evaluate the performance of our suppliers based on such on-site audits as well as the overall quality of their supplies.

To prevent any kickback arrangements with the suppliers, we request each of our suppliers to undertake in writing not to violate our anti-bribery and corruption policy. Our anti-bribery and corruption policy prohibits our suppliers from offering any unauthorized payment, such as bribes, kickbacks, or benefit to our employees in order to secure or reward an improper benefit. They are not allowed to conceal their relationships with our management, or deal with any relatives or related parties of our employees with respect to our supplies. Our anti-bribery and corruption policy also prohibits other misconducts, such as fraud or other illegal activities. If any violation of the undertaking is identified, it will be deemed as a material breach under our master supply agreement.

We typically retain multiple suppliers for each of the major ingredients consumed for our products to reduce reliance on any particular supplier. We have since our inception identified and established stable, trustful business relationships with reliable suppliers for such major ingredients. During the Track Record Period, we did not experience any material incidents of supply interruption, early termination of contractual arrangements with our suppliers or failure to secure sufficient quantities of raw materials.

Key Contractual Terms of Supply Agreements

Set forth below is a summary of our standard supply agreement that we enter into with our suppliers.

- *Term*: Typically one year subject to annual review and renewal.

- *Quality*: Detailed quality standards and specifications for the raw materials are set forth in the supply agreement. For ingredients to be used in preparation of our tea drinks and baked goods, the suppliers are contractually required to present to us relevant licenses and certificates such as quality inspection certificates in connection with the products to be delivered to us.

- *Pricing*: Price of raw materials is typically set forth in a written quote as separately agreed between the suppliers and us. For fresh products with relatively high price vitality such as seasonal fruits and vegetables, we usually negotiate the price with the suppliers on a semi-monthly basis.

- *Delivery*: The suppliers are required to deliver the products to our designated place pursuant to the supply agreement and shall bear any related logistics costs.

- *Inspection and Acceptance*: The products are subject to our inspection upon arrival at our designated place, and we may refuse acceptance of any defective products. In case of any quality defects that are not due to our negligence in storage, we are entitled to a prompt replacement or refund by the suppliers pursuant to the supply agreement.

- *Credit term*: Our suppliers typically grant us a credit term of 45 days.

- *Payment*: We generally settle payments with our suppliers once or twice a month.

We may from time to time enter into strategic cooperative agreements with key suppliers in the future, in order to strengthen the business relationships and further secure sufficient supplies. We believe our long-term stable business relationships with such suppliers also enable us to minimize the risks of unexpected fluctuation in raw material prices.

Major Suppliers

For the years ended December 31, 2018, 2019 and 2020, purchases from our five largest suppliers accounted for 28.0%, 23.8% and 23.8%, respectively, of our total purchases during those periods.

The table below sets forth the details of our five largest suppliers during the Track Record Period.

Rank	Supplier	Type of products/ services provided	Principal business	Year of commencement of business relationship	Purchase amount *(RMB'000)*	Percentage of our total purchase
For the year ended December 31, 2018						
1	Zundao	Packaging materials	Sales and manufacturing of packaging materials	2018	37,612	8.3%
2	Supplier A	Dairy products	E-commerce, sales of food and other products	2017	26,634	5.9%
3	Supplier B	Tea leaves	Domestic trade, sales of food and other products	2017	24,903	5.5%
4	Supplier C	Juices and fructose	Sales of food and other products	2017	18,840	4.2%
5	Supplier D	Packaging materials	Production and sales of plastic products	2017	18,793	4.1%
For the year ended December 31, 2019						
1	Zundao	Packaging materials	Sales and manufacturing of packaging materials	2018	94,611	8.7%
2	Supplier E	Fruit paste and dairy products	Sales of food and dairy products	2018	50,514	4.7%
3	Supplier F	Fructose and flour	Sales of food and other raw materials	2017	40,912	3.8%
4	Supplier A	Dairy products	E-commerce, sales of food and other products	2017	38,505	3.5%
5	Supplier G	Juices	Sales of food and other raw materials	2017	33,716	3.1%

Rank	Supplier	Type of products/ services provided	Principal business	Year of commencement of business relationship	Purchase amount (RMB'000)	Percentage of our total purchase
For the year ended December 31, 2020						
1	Zundao	Packaging materials	Sales and manufacturing of packaging materials	2018	94,447	7.9%
2	Supplier A	Dairy products	E-commerce, sales of food and other products	2017	67,664	5.6%
3	Supplier F	Fructose and flour	Sales of food and other raw materials	2017	44,276	3.7%
4	Supplier H	Dairy products	Import and export of goods and technology	2019	42,734	3.6%
5	Supplier D	Packaging materials	Production and sales of plastic products	2017	36,017	3.0%

During the Track Record Period, Zundao, a company held as to 50% by Shenzhen Xinlin Cultural Communication Co., Ltd. (深圳市心林文化傳播有限責任公司), which is held as to 50% by Mr. Zhao and 50% by Ms. Peng, each of whom is our executive Director and Controlling Shareholder, respectively, was one of our five largest suppliers. For details, see "Connected Transactions." Other than this, none of our Directors, their associates or any of our shareholders (who or which to the knowledge of the Directors owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers as of the Latest Practicable Date.

Our "Central Kitchen"

As of the Latest Practicable Date, we had one "central kitchen" in Shenzhen, which commenced operation in September 2018. As we continue to expand our geographic footprint and enhance market presence, our "central kitchen" currently serves our regular *Nayuki* teahouses and *Nayuki PRO* teahouses across China. Unlike bakery sections at each regular *Nayuki* teahouse, we centralize our food preparation at our "central kitchen," and prepare a broader selection of food and raw materials, including handcrafted baked goods, pre-made baked goods, fillings for baked goods as well as other snacks.

Our "central kitchen" prepares pre-made baked goods for all of our existing *Nayuki PRO* teahouses. Additionally, our "central kitchen" also serves all of our regular *Nayuki* teahouses within our nationwide network with fillings and other ingredients for baked goods and certain snacks products. We rely on our self-operated warehouse in Shenzhen for central distribution of the relevant products to our *Nayuki* teahouses across different regions in China, and our logistics partners are generally responsible for transporting such products.

We follow the same stringent food safety and product quality standards for food and raw materials prepared at our "central kitchen' with those prepared in our *Nayuki* teahouses to make sure a consistent level of quality and flavor in our products. For details, see "– Food Safety and Quality Control."

With respect to the products prepared by our "central kitchen" that are distributed nationwide, we keep them frozen until later distribution through cold chain logistics. It typically takes up to 14 days to distribute the products that the existing "central kitchen" prepares to our *Nayuki* teahouses across different regions in China, which is within their respective shelf lives when kept frozen. After thawed, such products usually have shelf lives of only one to two days, depending on the types and subsequent processing of the products. To ensure food safety and product quality, we have implemented stringent process and quality control over logistics of such products. Temperature, hygiene and physical containment of products are among the key aspects of our logistics quality control. To protect and prolong products' integrity, we have implemented cold chain logistics for delivery and we require that the temperature control over products in transit be maintained below certain temperatures.

As we continue to scale our market presence across China, we seek to establish a network of "central kitchens" in different cities across China to support our rapid teahouse network expansion and stock up our teahouses in a more swift and cost-effective manner, thereby increasing our operational efficiency. We expect our "central kitchens" to continue to serve both our regular *Nayuki* teahouses and *Nayuki PRO* teahouses in the future, with different focuses in respect of product supply. For *Nayuki PRO* teahouses without an on-site bakery section, our "central kitchens" mainly supply handcrafted and pre-made baked goods. In contrast, for regular *Nayuki* teahouses, such "central kitchen(s)" focus on supplying fillings and other ingredients for baked goods and certain snack products, as complementary, cost-effective supplies to such teahouses' own production capacities. For additional information, see "– Our Growth Strategies – Strengthen Supply Chain Capabilities," and "Future Plans and Use of Proceeds."

LOGISTICS AND WAREHOUSING

We primarily engage reliable local logistics partners to transport raw materials and products for us. During the Track Record Period and up to the Latest Practicable Date, we had collaborated with approximately 30 logistics partners across China, all of which have cold chain logistics capabilities. Pursuant to the agreements we entered into with these logistics partners, we require that vehicles used for us be thoroughly cleaned, sanitized and equipped with automated thermal control equipment and GPS devices. As such, we are able to easily locate the vehicles and control and monitor the temperature, humidity and sanitization of each batch of raw materials and products in transit. We also require our logistics partners to deliver our products on time, following the delivery counts confirmed by us in advance and they shall bear the risks of loss in transit. The payments are settled on a monthly basis. In addition, we also have an in-house logistics team with six vehicles responsible for delivery within Shenzhen.

As of the Latest Practicable Date, we had nine leased warehouses across China, among which one warehouse in Shenzhen is operated by us and the remaining eight warehouses are outsourced to independent third parties. Often times, raw materials with longer shelf lives such as prepackaged food and packaging materials are transported by our logistics partners to the warehouses for centralized inventory management and subsequent dispatch, whereas those with limited shelf lives, usually fresh fruits, are directly delivered to our teahouses.

OUR TECHNOLOGY

Technology is at the core of our business. In October 2020, we rolled out our proprietary integrated information platform *Teacore*, which helps us consolidate and understand massive operational data accumulated from various technology systems, thereby significantly streamlining business operations and improving operational efficiency. As of the Latest Practicable Date, we had deployed *Teacore* at all of our teahouses. Our focus on technologies has enabled us to optimize customer experience, operate efficiently, and grow rapidly while maintaining quality control.

We apply big data analytics to engage our customers and enhance their experience. Our *Teacore* seamlessly integrates online and offline transaction information, through which we have obtained invaluable data insights into our customer profiles, covering basic information and consumption habits. As we learn our customers' preferences, we are able to innovate and improve our products catering to their specific demands, recommend products to them with more precision and personalize their menus for easy ordering. Moreover, as we gather more customer behavior data, we can implement dynamic pricing to retain customers and increase repurchases.

We leverage our technology capabilities to streamline our storefront operations. Our customer review management system collects and consolidates customer reviews from third-party delivery platforms and sends notification of customer complaints on a timely basis, which enables us to address the issues and improve customer satisfaction in real time. We also have an in-store inventory management system, which tracks and analyzes inventory level and valid period of raw materials for each teahouse in real-time, and enables us to timely and sufficiently stock up our stores, dispose of expired raw materials and limit overall wastage.

In addition, we use an integrated information system to manage the flow of information within each teahouse and between teahouses and our corporate office. This system includes a point-of-sales local area network that helps facilitate the operations of the teahouse by recording sales transactions and printing orders. Additionally, the point-of-sales system is used to authorize, batch and transmit third-party payment platforms and to produce a variety of management reports. Selected information that is captured from this system is transmitted to the corporate office on a daily basis, which enables management to continually monitor operating results.

FOOD SAFETY AND QUALITY CONTROL

We value the significance of customer satisfaction and believe food safety and product quality are of paramount importance to our day-to-day business operations. As such, we implement stringent food safety and quality control standards and measures throughout our entire supply chain, covering supply of ingredients, inventory, and food preparation, to ensure the full safety and high quality of our products.

As of the Latest Practicable Date, we had established a quality assurance team with extensive industry experience in food safety and quality control. Supervised by Ms. Peng, our co-founder and General Manager, our quality assurance team is led by our quality assurance director who has over 20 years of food safety and quality assurance related experience and had worked with well-known companies prior to joining us. Our quality assurance team is responsible for, among other things:

- overseeing food safety and quality assurance work throughout core links from supply chain management to daily operations at store levels;
- establishing food safety and quality assurance policies and management systems at headquarters and store levels and ensuring the effective implementation of such systems;
- collecting laws, regulations and policies relating to product quality and food safety and enhancing internal compliance controls;
- establishing robust supplier selection and management measures;
- analyzing, evaluating, preventing and managing potential product safety risks; and
- handling customer complaints and improving relevant food safety and quality assurance policies and standards.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any investigation regarding any of our teahouses or the hygiene of our products by any government authorities and we had not encountered any material product safety incidents.

Quality Control over Supply of Ingredients

We regard selection and management of suppliers as an integral part of our quality control over supply of ingredients. We maintain a list of qualified suppliers, who have a proven record of reliable and stable supply, and we only partner with such qualified suppliers. We implement heightened criteria for selection of our suppliers and we periodically review and evaluate the performance of such suppliers. For details, see the section headed "– Supply Chain Management." In addition, we are committed to sourcing the best available ingredients. We choose premium tea leaves rather than fanning or tea powders and use fresh milk rather than creamers in our freshly-made tea drinks. The seasonal fruits used in our products are procured from reputable regional suppliers, ensuring freshness and a natural taste. Our suppliers are required to comply with the stringent quality standards provided by us under the supply agreements with us and we conduct regular audits on our suppliers under the terms of our supply agreements to ensure the quality of the supplies. Furthermore, with respect to key ingredients such as certain specific types of tea leaves and fresh fruit juices, we work with reputable suppliers who have dedicated supply capabilities to process such key ingredients based on our standards and specifications, thereby maintaining quality control and securing consistent taste in our products.

Quality Control over Inventory and Storage

We order ingredients based on teahouses' needs. We maintain an in-house logistics team and have established collaborations with third-party logistic partners, both of which have reliable cold chain logistics capabilities, to ensure fresh raw materials are delivered in time and to our required standards. Once the ingredients arrive in our teahouses, we impose strict standards for the storage of ingredients and finished products. A dedicated in-store quality control team performs stringent quality checks upon receipt of the raw materials and is in charge of the daily usage and storage of the ingredients. Regional quality control staff assigned by our headquarters monitor the usage and storage status in each teahouse. In addition, raw materials delivered to our warehouses are under centralized inventory management and subsequent dispatch by our warehousing team. We have in place standard protocols and procedures to store and manage raw materials at our warehouses so that we can secure food safety and control product quality.

Quality Control over Food Preparation

Our comprehensive food safety and quality control measures lay out operating procedures and quality standards to regulate different aspects of food preparation done at all the teahouses in our network. We require our in-store staff to strictly adhere to the procedures and standards stipulated in the measures to make sure the flavor, quality and hygiene of our products meet our standards. To ensure the quality of each of our products delivered to customers, substantially all of our tea drinks and baked goods are freshly made within our teahouses. We are a pioneer in the premium modern teahouse industry in using automated tea-brewing machines for all our *Nayuki* teahouses. We have also applied various technologies to preserve the freshness of fruit and use customized machines to make our cheese toppings, which help simplify our food preparation processes. To improve the efficiency of making freshly-made tea drinks, we have introduced advanced devices that produce a fixed amount of tea suitable for different kinds of tea drinks and automatic tea shakers to blend the tea, fruit and juices for a consistently great taste. All in-store staff are also required to attend a multi-week training program to master the in-store processing procedures and techniques for all products before starting in our teahouses, with a particular focus on food safety and product quality at every stage of the preparation cycle.

Quality Control over Food Delivery

To make sure customers at work or at home can enjoy our freshly-made tea drinks and baked goods that are of the same quality as in store, we have adopted rigorous quality control measures with respect to delivery orders. For example, we require our in-store staff to properly pack and seal products to be delivered to prevent from contamination, the external environment and physical damage during the course of transportation. In addition, we require our third-party delivery partners to be well equipped with insulated bags and other equipment to maintain our products at proper temperatures. Our third-party delivery partners are contractually required to secure safety and quality of our products in transmit and shall be responsible for losses arising from any food quality and product quality issues during the course of delivery.

SETTLEMENT AND CASH MANAGEMENT

We accept multiple payment methods including Weixin/WeChat Pay and Alipay, bank cards and cash at our teahouses. From time to time, we also sell anonymous prepaid cards to corporate organizations and retailers, which in turn distribute to individual customers for consumption of our products. Each of our prepaid cards has a face value primarily ranging from RMB30 to RMB500 and an initial term of use expiring in one to three years upon activation. Our prepaid cards are typically not allowed to be refunded. Individual customers who receive the prepaid card are allowed to use the card at any teahouse. They can present their physical prepaid card when paying for their orders at every teahouse in our network, or register the prepaid card as an e-card and use it online or in-store. Revenue is recognized when the individual customers purchase our products with the prepaid cards. For details of accounting implications of such prepaid cards, see "Financial Information – Critical Accounting Policies and Estimates – Prepaid Cards," and "Financial Information – Discussion of Certain Key Balance Sheet Items – Contract Liabilities." Sets forth below is the expiry profile of the outstanding balance of our prepaid cards as of the dates indicated.

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Within one year	170	10,113	36,676
One to two years	81	12,090	10,520
Two to three years	11,088	12,231	6,625
Over three years	1,610	6,035	13,249
	12,949	40,469	67,070

We recognize breakage revenue with respect to our prepaid cards either (i) when we are released from our obligations of performance upon expiration of the relevant prepaid cards, or (ii) when the likelihood of usage is remote, in which case we recognize, on an ongoing basis over a given period, breakage revenue in amounts that are estimated by reference to the latest available historical information regarding prepaid card usage pattern. We review such breakage revenue estimates on an annual basis, and any difference between the estimated and actual amounts of breakage revenue, upon expiration of the relevant prepaid cards, is recognized as revenue in profit or loss. During the Track Record Period, we recognized breakage revenue with respect to our prepaid cards of RMB3.6 million in 2020, representing approximately 0.1% of our total revenue in the same year. We did not recognize any breakage revenue with respect to our prepaid cards in 2018 or 2019 because we introduced our prepaid cards only in 2018, and none of our distributed prepaid cards had expired by the end of 2018 and 2019.

The following table sets forth a breakdown of our revenues by payment methods for the periods indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Wexin/WeChat Pay	504,705	46.4	1,181,549	47.2	1,599,479	52.3
Alipay	362,046	33.3	693,383	27.7	369,761	12.1
Third-party delivery platforms(1)	85,727	7.9	439,978	17.6	876,187	28.7
Cash	87,794	8.1	113,194	4.5	42,107	1.4
Bank cards	7,949	0.7	14,201	0.6	22,534	0.7
Others(2)	38,605	3.6	59,205	2.4	147,113	4.8
Total	1,086,826	100.0	2,501,510	100.0	3,057,181	100.0

Notes:

(1) representing revenues derived from delivery orders that customers place through third-party delivery platforms.

(2) primarily including revenues derived from prepaid cards, shopping mall cards and vouchers, and bank transfers with respect to sales of products by our headquarters.

As non-cash payments are becoming increasingly common, risks related to cash management have been and will continue to be maintained at minimal level. With respect to non-cash payments, amounts received are automatically transferred to our corporate accounts opened at the relevant third-party processing platforms typically within three days.

With respect to cash payments, our teahouse managers are responsible for ensuring the safety of cash received and timely delivery of cash in full to the designated banks. Cash received are reconciled on a daily basis and are preserved in a safe for subsequent deposition to our designated bank accounts on the next day. To avoid misappropriation and illegal uses of cash, our back-end financial personnel conduct reconciliations among cash deposits as reported by the teahouses, bank statements and in-store sale records, and prepare a cash long-and-short daily report to follow up in case of any discrepancies during the reconciliation. In addition, we require in-store staff of each shift to reconcile among cash and changes in the cashier machine and in-store sales records with the witness of teahouse managers before handover to the next shift. We have also installed surveillance cameras in our teahouses to monitor and prevent misconducts.

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

INTELLECTUAL PROPERTY

We regard our trademarks, copyrights, domain names, and similar intellectual property as critical to our success. As of the Latest Practicable Date, we own nine registered trademarks in China, which are material to our business. We also own two registered patents in China, seven registered copyrights for software programs developed by us relating to various aspects of our operations, and three registered domain names, which are material to our business.

As our brand name is becoming more and more recognized among customers in China, we believe that protecting and enforcing our intellectual property rights are of significant importance for our business operation, branding and reputation. We seek to maintain registration of intellectual property rights that are material to our business under appropriate categories and in appropriate jurisdictions. On the other hand, a number of proprietary know-how that is not patentable and processes for which patents are difficult to enforce are also important for us. We expect to rely on trade secret protection and confidentiality agreements to safeguard our interests in this respect. We believe that certain elements in our operations are not covered by patents or trademarks. We have taken security measures to protect such elements.

We have entered into confidential agreements with all of our employees, which require them to strictly comply with our confidentiality requirements.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or otherwise obtain, use and imitate our brand names, trademarks, copyrights and other intellectual properties. It is difficult to monitor unauthorized use of such intellectual properties. In addition, our competitors may independently develop technology and/or know-how similar to ours. Our precautions may not prevent misappropriation or infringement of our intellectual property. See "Risk Factors – Risk Relating to Our Business and Industry – We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position." for details. During the Track Record Period and as of the Latest Practicable Date, to the best of our knowledge, we had not been subject to any material intellectual property claims which could have a material adverse effect on our business or operations.

USER PRIVACY AND DATA SECURITY

We are committed to protecting the information and privacy of our customers. We gain access to a vast amount of basic personal information of our customers, mainly for *Nayuki* membership registration purposes. Such personal information primarily covers nick name, sexuality, age and telephone number of our customers. Various laws and regulations, such as the Cyber Security Law of the PRC, govern the collection, use, retention, sharing, and security of the personal data we receive from and about our users. Privacy groups and government bodies have increasingly scrutinized the ways in which companies link personal identities and data associated with particular users with data collected through the internet, and we expect such scrutiny to continue to increase. We have adopted policies, procedures and guidelines to comply with these laws and regulations and protect the personal privacy of our customers and the security of their data. During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations regarding user privacy and data security in all material aspects.

Our Board of Directors has general oversight power over cybersecurity issues and delegates the daily supervision responsibility to our Chief Executive Officer. The head of our IT department directly reports cybersecurity status to our Chief Executive Officer, and in case of a cybersecurity incident, the head of our IT department will report the incident to our Board of Directors to take appropriate and timely measures in response to the incident. See "Risk Factors – Risks Relating to Our Business and Industry – Our business generates and processes a large amount of data, which subjects us to governmental regulations and other legal obligations related to privacy, information security and data protection. Any improper use or disclosure of such data by us, our employees or our business partners could subject us to significant reputational, financial, legal and operational consequences."

AWARDS AND RECOGNITIONS

The table below sets forth some of our major awards and recognitions during the Track Record Period and up to the Latest Practicable Date.

Award/Recognition	Year of Receipt	Issuing Entity
Top 100 Food and Beverage Brands in China (中國餐飲品牌力百強)	2020	canyin88.com
Top 10 Tea Drinks Brands in China (中國茶飲十大品牌)	2020	World Federation of Chinese Catering Industry and canyin88.com
Top 20 Brand in Shenzhen's Consumption (深圳大消費二十大貢獻力品牌)	2020	Shenzhen Special Zone Daily
Annual Brands Award (年度品牌大獎)	2020	Huxiu.com
Annual Growth Award in China's Internet Consumption (中國互聯網消費商業力量年度增長力)	2019	CBNData
Top Emerging Brands (新品牌之王)	2019	36Kr.com

COMPETITION

The premium modern teahouse industry is rapidly evolving and competitive. With the emergence of the new tea-drinking experience, China has witnessed rapid growth of the tea-drinking market. According to CIC, the total market size of freshly-made tea drinks in China in terms of retail consumption value reached approximately RMB113.6 billion in 2020 and is expected to reach RMB340.0 billion by 2025, representing a five-year CAGR of 24.5%. The retail consumption value of freshly-made tea drinks and other products such as baked goods generated by premium modern teahouses approximated RMB15.2 billion in 2020 and is expected to reach RMB62.3 billion by 2025, representing a CAGR of 32.7%.

The premium modern teahouse industry is relatively concentrated, with the top five large players collectively accounting for approximately 58% of the market share in terms of total retail consumption value of all products in 2020. During the same period, *Nayuki* was the second largest teahouse brand in terms of total retail consumption value among China's premium modern teahouse market in 2020, with a market share of 18.9%. The No.1 teahouse brand that had a network of approximately 690 teahouses across 58 cities in China accounted for approximately 27.7% of China's premium modern teahouse market in terms of total retail consumption value in 2020, according to CIC. In 2020, average selling price of freshly-made tea products and average sales value per order of the No.1 teahouse brand were approximately RMB25 and RMB40, respectively, whereas those of *Nayuki* were RMB26 and RMB43 in 2020, respectively. Due to the strong brand awareness and product development of leading brands, China's premium modern teahouse market is expected to further concentrate in the leading players in the next years.

Our competitors mainly include premium modern teahouses and other freshly-made tea shop chains in China. We believe that we are strategically well positioned in the premium modern teahouse industry and we compete with others based on the following factors:

- brand recognition and reputation;
- product quality and taste;
- continuous product innovations;
- customer experience;
- supply chain management and operational efficiency; and
- fast-growing teahouse network.

According to CIC, *Nayuki* had the most extensive premium modern teahouse network in China in terms of the number of cities covered as of December 31, 2020. As of December 31, 2020, *Nayuki* has established 489 teahouses in 66 cities across mainland China, illustrating stronger penetration into different tiers of cites than other premium modern teahouse chains. Leveraging our increasing brand awareness and reputation, we believe we are able to secure prime locations for our *Nayuki* teahouses, which help us remain competitive in our industry. As of December 31, 2020, our *Nayuki* teahouses could be found in 28 of the top 50 shopping malls in China in terms of gross merchandise volume in 2020, according to CIC. In 2020, *Nayuki*'s average sales value per order reached RMB43.0, which was the highest among premium modern teahouse chains in China with an average sales value per order of approximately RMB35.0.

See the section headed "Industry Overview" for further details.

OUR EMPLOYEES

As of December 31, 2020, we had a total number of 9,069 full-time employees, among which 968 employees work in our headquarters and regional offices, and the remaining employees are in-store staff. The following table sets forth the numbers of employees in our headquarters and regional offices categorized by function as of December 31, 2020. Substantially all of our employees are located in China.

Function	Number of Employees	% of Total Number of Employees
Store Development and Operation	320	33.0
Branding and Marketing	117	12.1
Supply Chain and Quality Control	79	8.2
General Administration and Others	452	46.7
Total	968	100.0

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We believe we offer our employees competitive compensation packages and an environment that encourages self-development and, as a result, have generally been able to attract and retain qualified personnel and maintain a stable core management team.

We value our employees and we are committed to growing with our own employees. We have launched an employee retention initiative, under which we incorporate employee retention rate as one of the key criteria that we use to assess our teahouse performance. We also share our success with our employees by offering them a variety of incentives and financial rewards to keep them motivated.

In addition, we place strong emphasis on providing trainings to our employees in order to enhance their professional skills, understanding of our industry and work place safety standards, and appreciation of our value, especially our unwavering commitment to food safety and product quality as well as satisfying customer services. We design and offer different training programs for employees at various positions. For example, we require every newly recruited employee at operational functions to attend a one-month in-store training as we strive for consistency and high quality of our product delivery and customer services. In addition, we pair our new in-store staff with seniors, who are responsible for guiding them through the probation period. We have also established a vanguard program to foster and maintain a local talent pool and offer a promotion path for excellent employees to become our future teahouse managers.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including basic pension, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing fund. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We plan to grant, share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

We enter into standard labor contracts and confidentiality agreements with our employees. Our employees are not currently represented by any labor union. We believe that we maintain good working relationship with our employees and we have not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events. We have contracted with leading insurance companies and providers to obtain insurance coverage for public liability, employer liability and property. In line with general market practice, we do not maintain any business interruption insurance, which is not mandatory under the relevant laws of China. We do not maintain key-man life insurance or insurance policies covering damages to our IT infrastructure or information technology systems, which is consistent with the industry norm. See "Risk Factors – Risks Relating to Our Business and Industry – We have limited insurance coverage for our operations."

PROPERTIES

We are headquartered in Shenzhen, China and have teahouses in and outside mainland China. We do not own any property but instead lease our premises from independent third parties, primarily major property developers in China, with a view to reducing our capital investment requirements.

The following table sets forth a maturity profile of lease agreements for our teahouses as of the dates indicated.

	As of December 31,								
	2018			2019			2020		
	GFA	Outstanding lease liabilities	Number of lease agreements	GFA	Outstanding lease liabilities	Number of lease agreements	GFA	Outstanding lease liabilities	Number of lease agreements
Due within one year	4,148	167,409	28	5,591	291,700	56	9,678	364,733	80
Due after one year but within two years	5,099	170,154	52	9,078	294,341	73	9,325	357,207	65
Due after two years but within five years	35,412	390,161	195	67,440	630,600	306	85,350	604,320	373
Due after five years	9,284	35,332	36	11,711	36,974	44	14,474	30,466	66
Total	53,943	763,056	311	93,820	1,253,615	479	118,827	1,356,726	584

The following table sets forth a breakdown of rental expenses of *Nayuki* and *Tai Gai* teahouses by geographic location.

	For the year ended December 31,					
	2018		2019		2020	
	Nayuki	*Tai Gai*	*Nayuki*	*Tai Gai*	*Nayuki*	*Tai Gai*
	(RMB per square meter per month)					
Rental Expenses[(1)]						
Tier 1 cities	487.7	617.5	466.8	719.0	403.0	719.5
New Tier 1 cities	448.1	508.0	387.4	456.2	294.2	291.2
Tier 2 cities	302.6	483.1	347.7	518.3	255.5	392.1
Other cities[(2)]	–	–	423.5	–	281.3	–

Notes:

(1) equal to the sum of depreciation of right-of-use assets and other rentals and related expenses.

(2) cities (i) in other tiers of cities across mainland China, and (ii) outside mainland China comprising Hong Kong SAR and Osaka, Japan.

As of December 31, 2020, none of our properties has a carrying amount of 15% or more of our consolidated total assets. Therefore, according to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings.

Leased Properties in Mainland China

As of the Latest Practicable Date, we leased 763 properties from independent third parties with an aggregate gross floor area of approximately 155,089 square meters for our teahouses, stockrooms and office space across China. Among these 763 leased properties, 625 with an aggregate gross floor area of approximately 136,100 square meters were used for our teahouses, whereas the remaining 138 of these properties with an aggregate gross floor area of approximately 18,989 square meters were used for stockrooms, offices, our "central kitchen" and warehouse in Shenzhen.

Our leases generally have a term ranging from three to five years. We are generally allowed to terminate lease agreements with a prior notice, which provides us with operational flexibility, albeit usually at the cost of forfeiting deposits and/or paying a termination fee. Either party may terminate the agreements prior to expiry by obtaining the counterparty's consent. The renewal of our existing lease agreements is typically subject to parties' re-negotiations, and we are also contractually granted a priority right for renewal under certain existing lease agreements. In addition, our PRC Legal Advisor has advised us that the applicable PRC laws and regulations provide that the existing lessee of a property shall have a priority right over other potential lessees to lease the property upon expiration of the lease provided the equivalent conditions. Therefore, generally we have the contractual and/or legal priority right of renewal with respect to all of our existing lease agreements. During the Track Record Period, we had not experienced any significant difficulty in renewing our lease agreements on similar existing terms due to our strong brand reputation. Other than the cases in which we decided not to renew the existing lease agreements and subsequently closed the relevant teahouses due to relocation and other strategic and commercial considerations, all of our lease agreements subject to expiry had been timely renewed during the Track Record Period. For avoidance of doubt, none of the closures of our teahouses during the Track Record Period was because we were not able to renew the relevant lease agreements. For details of the number of teahouses we closed and the reasons therefor during the Track Record Period, see "– Our *Nayuki* Premium Modern Teahouses – Teahouse Network Management – Recent and Planned Expansion," and "– Our Sub-brand Teahouses – *Tai Gai*." We own the equipment and movable property in the stores purchased by us and will be required to remove such equipment and property when we terminate the relevant lease agreement and return the premises to the landlord.

Title Defects

As of the Latest Practicable Date, 80 of our leased properties in China with an aggregate gross floor area of approximately 13,465 square meters were subject to potential title defects, representing approximately 8.7% of the total gross floor area of our leased properties in China. The lessors of such leased properties had not provided us with the relevant title ownership certificates for the leased properties or proof of authorizations from the property owners to sublease the properties to us. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any safety issues or disputes with respect to these defective leased properties. Our lessors' failure to provide the relevant title ownership certificates for the properties we leased or proof of authorizations from the property owners to sublease the properties to us does not result in any discount on the rents we contracted to pay. Based on our experience and knowledge, proper title ownership certificates or proof of authorizations does not result in any material premium on the rents charged by the lessors.

As advised by our PRC Legal Advisor, without ownership certificates or proof of authorizations from the property owners, our use of these defective leased properties may be affected by third parties' claims or challenges against the lease or our land use rights. In addition, if the lessors do not have the requisite rights to lease these defective leased properties, the relevant lease agreements may be deemed invalid, and as a result we may be required to vacate these defective leased properties and relocate our teahouses. However, in the event that we are unable to continue using these defective leased properties, based on the advice of our PRC Legal Advisor, we, as the tenant, will not need to continue to pay the rents. Additionally, it is the lessors' responsibility to obtain the title certificates to enter into the leases, and, as a tenant, we will not be subject to any administrative punishment or penalties in this regard. These statutory protections significantly mitigate our risks arising from these defective leased properties due to claims for vacation from the legal owners of the properties. See also "Risk Factors – Risks relating to Our Business and Industry – Our rights to use our leased properties could be challenged by property owners or other third parties, which may disrupt our operations and incur relocation costs."

Having considered the foregoing, our Directors believe that these title defects described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) during the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, our leases with respect to these defective leased properties had never been challenged by any third parties, (ii) given that a substantial portion of our landlords are owners of large shopping malls and sizeable commercial real estate developers, we believe the risk that we are required to vacate and relocate from these premises is remote, (iii) considering these defective leased properties are geographically dispersed across China under the jurisdiction of different local governmental authorities, we believe it is unlikely that we would be at the same time subject to claims of rights from various third parties or required by the governmental authorities to relocate with respect to a significant number of these defective leased properties, and (iv) we have enhanced our internal control measures and procedures to prevent the leasing of properties with title defects.

Lease Registration

As of the Latest Practicable Date, 378 out of our 763 leased properties are required by the applicable PRC laws and regulations to be registered and filed with the relevant land and real estate administration bureaus in the PRC, among which 354 had not been so registered or filed. These properties have an aggregate gross floor area of approximately 66,564 square meters, accounting for approximately 42.9% of the total gross floor area of our leased properties in China. Our lessors' failure to provide the necessary documents for us to register the leases does not result in any reduction in rent. Similarly, in our experience, the proper registration of leases does not result in any material increase in the rent charged by the relevant lessor.

As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. The aggregate amount of maximum fine will be approximately RMB3,540,000, which our Directors believe will not have any material adverse impact on our business operations. See also "Risk Factors – Risks relating to Our Business and Industry – Most of the lease agreements of our leased properties have not been registered with the relevant PRC governmental authorities as required by PRC law, which may expose us to potential fines."

Having considered the foregoing, our Directors believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date, (ii) we were advised by our PRC legal advisor that, if the lease registration can be completed in accordance with relevant laws and regulations within a reasonable time from the date of application or the prescribed time limit ordered by the competent governmental authorities, the risk of governmental authorities imposing a material penalty on us with respect to these leased properties is remote, (iii) we have designated a dedicated team to work on the lease registration by proactively communicating with the lessors in order to obtain their cooperation and collect the application documents for the relevant lease registration, and we have submitted the application documents for lease registration where those documents are complete, and (iv) we have enhanced our internal control measures and procedures to prevent re-occurrence of such non-compliance incidents.

Leased Properties outside Mainland China

As of the Latest Practicable Date, we leased three properties from independent third parties with an aggregate gross floor area of approximately 461.8 square meters for our business operations in Hong Kong SAR and Japan. Among the three leased properties, two are leased for our *Nayuki* teahouses in Hong Kong SAR and Japan, respectively, and the remaining one in Japan is for office use. Our leases for our teahouses outside mainland China generally have a term ranging from over one year to three years.

ENVIRONMENTAL, OCCUPATIONAL HEALTH AND SAFETY MATTERS

We are subject to environmental protection, occupational health and safety laws and regulations in the PRC as well as overseas where we operate our teahouses. During the Track Record Period, we complied with the relevant environmental, occupational health and safety laws and regulations in all material respects in the PRC as well as overseas where we operate, and we did not have any incidents or complaints which had a material and adverse effect on our business, financial condition or results of operations during the same period.

We strive to provide a safe working environment for our employees. We have implemented work safety guidelines setting out safety practices, accident prevention and accident reporting. Our work safety guidelines provide clear guidance on various occupational and teahouse safety matters which our in-store staff are required to follow. In addition, the material equipment and machinery at our teahouses are subject to periodical maintenance from time to time and our employees are required to complete training programs that increase their awareness of safety in the workplace. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any material safety incidents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations. Corporate social responsibility is viewed as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing diversity and public interests. Accordingly, our Board of Directors has adopted a comprehensive policy on environmental, social and corporate governance responsibilities (the "**ESG Policy**") in accordance with the Listing Rules, which sets forth, among others, (i) the appropriate risk governance on environmental, social and governance ("**ESG**") matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG governing structure, (iv) ESG strategy formation procedures; (v) ESG risk management and monitoring; and (vi) the identification of key performance indicators ("**KPIs**"), the relevant measurements and mitigating measures.

Governance

According to our ESG policy, we have established an ESG Committee under our Board. Led by our General Manager and Deputy General Manager, our ESG Committee is responsible for overseeing and guiding our Company's ESG initiatives. In addition, we have also set up an ESG Task Force comprised leaders of various key operational functions, including our legal, human resources, finance, operations, construction, and research and development departments and supply chain management center. Set forth below are the principal duties and responsibilities of our ESG Task Force:

- keeping abreast of latest ESG-related laws and regulations, including the applicable sections of the Listing Rules, keeping the Board informed of any changes in such laws and regulations and updating our ESG Policy in accordance with the latest regulatory updates;

- identifying our Group's key stakeholders based on our business operations and understanding such stakeholders' influences and dependence with respect to ESG matters;

- assessing ESG-related risks on a regular basis according to applicable laws, regulations and policies, especially risks in relation to climate changes, to ensure our responsibilities with respect to ESG matters are met;

- monitoring the effectiveness and ensuring the implementation of our ESG Policy; and

- reporting to our management on an annual basis on the implementation of our ESG Policy and preparing the ESG report.

During the Track Record Period and up to the Latest Practicable Date, we had not been materially adversely impacted by any ESG-related incidents.

Metrics and Targets

We believe in the importance of caring for our planet and we strive to balance our role as a for-profit company with the betterment of people of the planet. Under our ESG Policy, we have established a comprehensive set of KPIs to restrain and guide our business operations.

Power Usage

Metrics and targets. Although our PRC Legal Advisor has advised us that there is no explicit regulatory upper limits of power consumption stipulated by the PRC laws and regulations, we endeavor to proactively conserve energy in response to the government's initiatives. We evaluate our power usage level using the metric of average annual power usage per teahouse. In 2020, our average annual power usage per teahouse was 10,829 kWh. We intend to continue to reduce the level of our average annual power usage per teahouse over the next three years.

Measures leading to the targets. We continue to optimize our teahouse design to take advantage of natural lighting and reduce power usage. We purchase and use environmental-friendly equipment and facilities, such as energy-saving air conditioners, in our teahouses. We leverage our remote control system to avoid unintended power usage during off-hours. We also raise energy consumption awareness of our employees during our trainings.

Water Usage

Metrics and targets. Our PRC Legal Advisor has advised us that, although local governments across China may from time to time promulgate regional regulations and policies or launch various initiatives and campaigns that call for water conservation, there is no explicit regulatory upper limits on water consumption. Nevertheless, we voluntarily take on our social responsibilities to practice water conservation. We evaluate our water usage level using the metric of average annual water usage per teahouse. In 2020, our average annual water usage per teahouse was 240 tons. We intend to continue to reduce the level of our average annual water usage per teahouse over the next three years.

Measures leading to the targets. We continue to roll out automated equipment in our teahouses, which automatically monitors and controls water usage for dish-washing. We regularly inspect our water tanks to prevent water leakage. We strive to foster water conservation culture in our Group through a variety of activities and events.

Resource Consumption

We endeavor to reduce negative impact on the environment through our commitment to energy saving and sustainable development. Starting from September 2020, we have been phasing out our non-degradable plastic packaging materials to align with the new policy released by the NDRC. In addition, we continue to roll out paper and new sustainable material straw alternatives. To mitigate the impact of our packaging on the environment, we shifted from single-use to reusable packaging and started to use recyclable cup sleeves. As of the Latest Practicable Date, we had required all teahouses within our network to eliminate the use of non-degradable plastic packaging materials. In addition, we have launched a wide array of sustainability initiatives and campaigns to engage our customers and drive customer behavior around reusables. For example, with special discounts, we encourage our customers to use their own reusable cups to reduce cup waste. Below are pictures of our sustainable material straws and reusable packaging.


Our environmental protection expenses, including wastewater treatment, garbage disposal and cleaning expenses, were immaterial during the Track Record Period and are expected to remain at similar levels. During the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC laws, regulations and rules relating to resources consumption and pollutant emission in all material respects, including maintaining our pollutant emission level within the relevant regulatory limits.

Social Responsibility

Under our ESG Policy, we aim to build a sustainable community with our employees, customers and business partners by supporting local initiatives that aim to create effective and lasting benefits to the local community, through various initiatives that may include corporate philanthropy, establishing community partnerships, and mobilizing our employees to participate in volunteer work. We believe our success is linked to the success of the farmers and suppliers who grow and provide the ingredients used in our products. *Nayuki* is always committed to helping farming communities endure and thrive. Since March 2020, we have proactively participated in various local governments' campaigns in response to the COVID-19 outbreak. We took the initiative to support farming communities in Hubei, Guangxi and Guangdong and purchased tea leaves and fruits from local farmers to ease the impact of the COVID-19 on their business. Our commitment to social responsibility and community services extends beyond our business. Amidst the COVID-19 outbreak, we donated a substantial amount of medical masks, tea drinks and baked goods to hospitals across China that were at the frontline of battling the COVID-19. In particular, on March 29, 2020, we donated thousands of cups of *Nayuki* tea drinks to medical staff who volunteered to come to Wuhan and support local patient care, in honor of the sacrifices these everyday heroes made during this unprecedented crisis. Below is a picture of this donation event.

We are always open to work with partners who share the same values on social, environmental and governance with us. We partnered with Alipay to promote community environmental awareness. For every purchase of *Nayuki* products our customers make through Alipay, they are awarded "green energy points," which enable our customers to grow virtual trees on Alipay platform. When enough points have been earned to grow a virtual tree, it is converted into a real tree planted in the desert in various locations across China. In addition, we collaborated with a reputable artist in Korea in his exhibition to promote animal rights and welfare.

We will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. We recognize and embrace the benefits of having a diverse Board of Directors to enhance the quality of its performance. To this end, we have adopted a board diversity policy which requires all board appointments to be based on meritocracy, and candidates to be considered against objective criteria. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace and teahouses for all of our employees.

LEGAL PROCEEDINGS

We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business involving employment, copyrights, unfair competition, contract disputes and other matters. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial costs and diversion of our resources, including our management's time and attention. See "Risk Factors – Risks Relating to Our Business and Industry – We, our Directors, management and employees may be subject to litigation and regulatory investigations and proceedings, such as claiming in relation to food safety, commercial, labor, employment, antitrust or securities matters, and may not always be successful in defending ourselves against such claims or proceedings." As of Latest Practicable Date, there was no litigation, arbitration, administrative proceedings or claim of material importance pending or threatened by or against our Group or any of our Directors, that would have a material adverse effect on our results of operations or financial conditions.

LICENSES, REGULATORY APPROVALS AND COMPLIANCE

We are required by the relevant laws and regulations in China to obtain requisite licenses, approvals and permits to conduct our business operation, among which the food operation license (食品經營許可證), the required as-built acceptance check on fire prevention (建設工程消防驗收) or fire safety filing (竣工驗收消防備案) and fire safety inspection (公眾聚集場所投入使用、營業前消防安全檢查合格證), among others, are crucial to our business.

Our Directors, as advised by our PRC Legal Advisor, confirm that except as disclosed hereunder, we had complied with the relevant PRC laws and regulation in all material respects and had obtained all requisite licenses, approvals and permits from relevant authorities in China except those would not have a material adverse effect on our operations during the Track Record Period and up to the Latest Practicable Date.

Fire Safety

Background and Reasons for Non-compliance

During the Track Record Period, we were not able to complete the necessary fire safety procedures with respect to some of our teahouses when we commenced operation.

As of the Latest Practicable Date, we had a total of seven teahouses, or approximately 1.1% of the total number of our teahouses, for which we were not able to complete the required as-built acceptance check on fire prevention or fire safety filing. Among these teahouses, there were (i) four teahouses for which we were not able to complete the required as-built acceptance check on fire prevention or fire safety filing due to various practical difficulties, including (x) the owners of the leased properties for our teahouses have not completed the required as-built acceptance check on fire prevention or fire safety filing for the entire properties where the relevant teahouses are located, which caused a delay in our application for the required as-built acceptance check on fire prevention or fire safety filing, and (y) the relevant local governmental authority currently does not accept any applications for the required as-built acceptance check on fire prevention or fire safety filing that are submitted after the commencement of business operations; and (ii) three teahouses for which we are in the process of completing the applications for the required as-built acceptance check on fire prevention or fire safety filing.

As of the Latest Practicable Date, we had a total of 18 teahouses, or approximately 2.9% of the total number of our teahouses, for which we were not able to complete fire safety inspections. Among these teahouses, there were (i) 15 teahouses for which we were not able to complete such inspections due to various practical difficulties, including (x) the owners of the leased properties for our teahouses have not completed the required as-built acceptance check on fire prevention or fire safety filing for the entire properties where the relevant teahouses are located, which caused a delay in our application for fire safety inspections, and (y) the relevant local governmental authority currently does not accept any applications for fire safety inspections that are submitted after the commencement of business operations; and (ii) three teahouses for which we had submitted or are in the process of completing the applications for fire safety inspections.

In addition, there were two overlapping teahouses across the above two groups of teahouses that failed to compete both the required as-built acceptance check on fire prevention or fire safety filing and the fire safety inspections as of the Latest Practicable Date.

As a result, as of the Latest Practicable Date, there were (i) six teahouses for which we had submitted or are in the process of completing the applications for either the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections, as the case may be, and (ii) 17 teahouses in total for which we were not able to complete the required as-built acceptance check on fire prevention or fire safety filing and/or the fire safety inspections due to various practical difficulties. With respect to the six teahouses for which we had submitted or are in the process of completing the applications for either the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections, as the case may be, as of the Latest Practicable Date, the expected time for completion of the relevant fire safety procedures is subject to various factors that may be out of our control, which include the application review process of the relevant local governmental authorities. Nevertheless, we have been and will continue mobilizing our internal resources and using all commercially reasonable efforts to complete such procedures as soon as possible.

We became aware of such non-compliance incidents during our company-wide compliance reviews. We commenced our operation at the 23 teahouses before we completed the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections, as the case may be, as of the Latest Practicable Date, primarily due to the evolving and varied requirements and practices on the relevant fire safety procedures adopted by the local governmental authorities of different cities in China in which our teahouses are located, which resulted in misunderstanding of the applicable local requirements and practices by our employees formerly responsible for completing the relevant fire safety procedures.

Potential Legal Consequences and Latest Status

With respect to our six teahouses for which we had submitted or are in the process of completing the applications for either the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections, as the case may be, we were advised by our PRC Legal Advisor that (i) there will not be any substantial legal impediment for us to complete the required as-built acceptance check on fire prevention or fire safety filing, or the fire safety inspections, provided that we submit all the requisite documents to the relevant governmental authorities and pass the on-site inspection in accordance with the relevant PRC laws, regulations, government policies and the specific requirements of the relevant governmental authorities, with respect to which the Fire Safety Consultant has further confirmed that we are capable of doing so for these six teahouses, and (ii) once we complete the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections, the risks that we would be subject to the administrative penalties by the relevant governmental authorities due to the historical non-compliance is remote.

With respect to the remaining 17 teahouses for which we were not able to complete the required as-built acceptance check on fire prevention or fire safety filing and/or the fire safety inspections due to various practical difficulties, our maximum penalty for not being able to complete the required as-built acceptance check on fire prevention or fire safety filing and fire safety inspections when we started operation will be (i) RMB4.52 million, which includes a fine of RMB300,000 per teahouse for failing to complete the required as-built acceptance check on fire prevention or the fire safety inspections and a fine of RMB5,000 per teahouse for failing to complete the fire safety filing; and (ii) closure of all of these teahouses. In addition, if we were required to close such 17 teahouses in the worst scenario, we may need to terminate the leases of these teahouses and incur contractual penalties and forfeit our deposit and certain portion of the paid rents. Nevertheless, our PRC Legal Advisor has advised us that the risks that we would be subject to any material administrative penalties by the relevant governmental authorities due to the non-compliance relating to fire safety with respect to these 17 teahouses is remote on the following grounds:

- With respect to the 15 teahouses for which we were not able to complete the fire safety inspections as of the Latest Practicable Date, the PRC Legal Advisor has interviewed or made inquiries with the relevant competent governmental authorities, and confirmed that the relevant governmental authorities would not impose material administrative penalties for the non-compliance relating to fire safety if the relevant teahouses could pass the on-site inspections.

  Given the Fire Safety Consultant has advised that, among other things, all of these teahouses have complied with the applicable fire safety laws, regulations and standards to the extent that the required fire safety inspections could be completed, the PRC Legal Advisor is of the view that the risk that we would be subject to any material administrative penalties by the relevant governmental authorities due to the non-compliance relating to fire safety with respect to the 15 teahouses is remote.

- With respect to the four teahouses for which we were not able to complete the fire safety filing (for avoidance of any confusion, there were two overlapping teahouses that failed to complete both the fire safety filing and the fire safety inspections as of the Latest Practicable Date), the PRC Legal Advisor has advised that, pursuant to the PRC Fire Prevention Law, a construction project that fails to complete the fire safety filing shall be ordered to rectify and is subject to a fine of up to RMB5,000.

In addition, if the construction project fails to pass any random inspection by the relevant governmental authorities, such construction project shall be ordered to close down and rectify. In the event that the rectification is not made, the construction project shall be ordered by the relevant governmental authorities to close down or cease business operations and shall be fined not less than RMB30,000 but no more than RMB300,000.

On the bases that (i) we had not been subject to any material administrative penalties with respect to the relevant fire safety non-compliance incidents during the Track Record Period and up to the Latest Practicable Date, (ii) the Fire Safety Consultant is of the view that, among other things, all of these teahouses have complied with the applicable fire safety laws, regulations and standards to the extent that the required fire safety filings could be completed, and (iii) we have undertaken to fully comply with such order in the event it was ordered by the relevant governmental authorities to rectify the relevant fire safety non-compliance incidents, the PRC Legal Advisor is of the view that the risk that we would be subject to any material administrative penalties by the relevant governmental authorities due to the non-compliance relating to fire safety with respect to the four teahouses is remote.

During the Track Record Period, revenues generated from the 23 teahouses amounted to RMB67.0 million, RMB118.5 million and RMB149.9 million in 2018, 2019 and 2020, respectively, representing 6.2%, 4.7% and 4.9% of our total revenues for the respective periods. During the same period, operating profit generated from the 23 teahouses, all being *Nayuki* teahouses, amounted to RMB14.0 million, RMB21.2 million and RMB20.4 million, respectively, representing 8.1%, 5.7% and 5.8% of total operating profit generated by our *Nayuki* teahouses. As of the Latest Practicable Date, we had not been subject to any actual administrative penalties due to our failure to complete in time the necessary fire safety procedures with respect to the 23 teahouses, and the maximum penalty that we could incur in connection with such non-compliance incidents shall be (i) RMB5.73 million, which includes a fine of RMB300,000 per teahouse for failure to complete the required as-built acceptance check on fire prevention or the fire safety inspections, and a fine of RMB5,000 per teahouse for failure to complete the fire safety filing; and (ii) closure of such teahouses which have not rectified such non-compliance incidents.

Remedial Measures

Despite our failure to complete in time the necessary fire safety procedures due to the various reasons outlined above during the Track Record Period, we nonetheless placed significant importance on in-store fire safety, with a goal to mitigate our risk exposure to potential fire safety accidents and public safety concerns. To this end, we had taken a series of internal control measures, which include (i) engaging professional fire protection engineers to identify risks and design safeguards that aid in preventing, controlling and mitigating the effects of fires when building new teahouses, (ii) devising a fire safety plan with guidance on the use of building and decoration materials and electrical appliances, standard operation procedures in case of fire alarm and proper evacuation plan, (iii) installing the necessary fire safety equipment as required by applicable PRC laws and regulations, including fire extinguishers, smoke detectors and automatic water spray, (iv) obtaining public liability insurance to cover any potential damage, injury or death suffered by any third party (including our customers) and employer liability insurance to cover any potential injury or death suffered by our employees as a result of the accidents happened in the course of our business and operation. Failure to complete either the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections does not bar our claim or affect the amount of compensation we can receive against the loss under our public liability insurance or employer liability insurance coverage. In the event that any customer or employee suffers damage, injury or death, as applicable, in relation to fire safety or other accidents, we expect that the relevant insurance policies will cover our liability towards these customers or employees, and (v) applying fire resistant construction and decoration materials, installing proper evacuation route indication signs and where applicable, proper emergency exits. Due to such effective internal control measures on fire safety, we passed the subsequent regular and/or random fire safety inspections by the relevant governmental authorities that all of our teahouses are subject to, without being imposed on any material administrative penalties or fines, during the Track Record Period and up to the Latest Practicable Date, notwithstanding the fact that some of our teahouses commenced operation before completing the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections, as the case may be.

In addition, we have also engaged Guangzhou Dongya Co., Ltd. (廣州市東亞有限公司) as the fire safety consultant (the "**Fire Safety Consultant**") to conduct fire safety inspections on each of the 23 teahouses for which we were not able to complete either the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections as of the Latest Practicable Date. Incorporated in 1984, the Fire Safety Consultant is a state-owned enterprise primarily engaged in maintenance and inspection of fire safety facilities and fire safety evaluation. The Fire Safety Consultant holds the relevant qualifications and certificates such as the ISO 9001, ISO 14001 and OHSAS 18001 certificates, and has a dedicated inspection team consisting of certified fire safety specialists and constructors with extensive prior work experience.

The Fire Safety Consultant has conducted a comprehensive review and inspection of the following aspects of our operations through on-site inspection, surveys and document review, which has covered substantially similar inspection scope that would be conducted by a competent government authority for us to obtain the relevant fire safety approval: (i) the compliance of our fire protection system with laws and regulations and industry standards, (ii) the adequacy of the fire safety equipment and system and emergency evacuation plan of premises on which our teahouses are located, (iii) the knowledge of our staff in relation to fire protection management, including our fire safety management personnel and in-store crew, and (iv) the fire protection and heat insulation capabilities of our teahouse construction materials.

Upon inspection at all these 23 teahouses, the Fire Safety Consultant is of the view that (i) the risk exposure to potential fire safety accidents of these teahouses is substantially lower as compared to that of restaurants, the operation of which typically involves open fires, (ii) we have established and implemented a comprehensive set of fire safety policies and procedures as well as fire safety and emergency evacuation plan that are in compliance with the applicable PRC laws and regulations, (iii) the premises where these teahouses are located are in compliance with applicable building fire protection and fire safety standards, (iv) no fire safety accident has ever occurred in these teahouses and we have never been subject to any material administrative penalty or public notice of violations due to any fire safety issues with respect to these teahouses, (v) the premises where these teahouses are located are in compliance with the applicable PRC laws and regulations to be used for teahouse operations and preparation of freshly-made tea drinks and baked goods, (vi) all of these teahouses have complied with the applicable fire safety laws, regulations and standards to the extent the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections for these teahouses, as the case may be, could be completed, (vii) we were not able to complete the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections for 17 out of the 23 teahouses solely due to various practical difficulties and (viii) there are no material impediments for these teahouses to complete the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections, as the case may be, upon submission of applications and all the requisite documents.

Furthermore, we have enhanced our internal control measures and procedures with respect to fire safety as recommended by our independent internal control consultant to manage associated risks and prevent re-occurrence of such non-compliance incidents. Set forth below are key efforts we have made:

- *Fire safety policies*. We have established our in-store fire safety management policies, which unify the fire safety practice at every teahouse throughout our network. Our heightened in-store fire safety management policies provide detailed guidance on the use and maintenance of fire safety facilities. According to the heightened in-store fire safety management policies, every teahouse shall make plans for fire safety work and conduct fire safety inspection on a regular basis.

- *Employee trainings*. We provide regular trainings on fire safety to our in-store staff and other employees, which cover key aspects of our daily operations. We also organize fire drills on a regular basis to increase our employees' fire safety awareness.

- *Management of licenses and certificates*. We have devised our license and certificate management policies, which govern the applications for the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections, as the case may be, among other things. The license and certificate management policies explicitly require every new teahouse to be opened only after the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspection, as the case may be, is completed.

- *Designated personnel*. According to our license and certificate management policies, we designate dedicated personnel to manage the licenses and certificates required for our business operation, who are responsible for managing use of the licenses and certificates, monitoring their status and renewing those near to expire in a timely manner.

Our internal control consultant, Protiviti Shanghai Co., Ltd. (甫瀚諮詢(上海)有限公司), performed a follow-up review of our internal control measures related to fire safety in March 2021. Based on the results of such review, our internal control consultant is of the view that our Group's enhanced internal control measures, if implemented continuously, are adequate and effective to reasonably prevent re-occurrence of similar fire safety related non-compliances.

Having considered the foregoing, our Directors believe that such non-compliance would not have a material adverse effect on our business, results of operations or financial condition or the Global Offering, on the grounds that: (i) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date, (ii) the maximum potential penalty of RMB5.73 million accounted for merely 0.2% of our revenues in 2020, (iii) the Fire Safety Consultant has advised us that all of the 23 teahouses for which we were not able to complete either the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections have complied with the applicable fire safety laws, regulations and standards to the extent the required as-built acceptance check on fire prevention or fire safety filing or the fire safety inspections for these teahouses, as the case may be, could be completed and there are no material impediments for these teahouses to pass the required as-built acceptance check on fire prevention or fire safety filing of the fire safety authorities, and (iv) we have enhanced our internal control measures and procedures as recommended by our independent internal control consultant to prevent re-occurrence of such non-compliance incidents.

Social Insurance and Housing Provident Funds

Background and Reasons for Non-compliance

During the Track Record Period, we had not made social insurance and housing provident fund contributions for some of our employees in full in accordance with the relevant PRC laws and regulations. The aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB8 million, RMB23 million and RMB34 million in 2018, 2019 and 2020, respectively. We were unable to make full social insurance and housing provident fund contributions for such our employees primarily because (i) our labor force is highly mobile, which is consistent with the industry norm, (ii) certain of our employees were not willing to bear the costs associated with social insurance and housing provident funds strictly in proportion to their salary, and (iii) a certain number of our employees are migrant workers who are typically not willing to participate in the social welfare schemes of the city where they temporarily reside as such contributions are not transferrable among cities. In the event that our employees are not willing to participate in the housing provident fund schemes, we provided those employees with compensation and benefits in lieu of the relevant contributions. As of the Latest Practicable Date, we had not yet commenced to make contributions to such overdue social insurance and housing provident funds for the practical difficulties as outlined above.

Potential Legal Consequences and Maximum Penalties

As advised by our PRC Legal Advisor, pursuant to relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. Our PRC Legal Advisor has advised us that the risk of us being imposed of fine is remote provided that we pay the unpaid amount for social insurance and housing provident funds in full amount in a timely manner after receiving notices to rectify the non-compliance from the relevant PRC authorities. Based on the estimation of our Directors, the aggregate shortfall of social insurance amounted to RMB4.5 million, RMB7.7 million and RMB12.9 million in 2018, 2019 and 2020, respectively. As advised by our PRC Legal Advisor, the potential maximum penalty with respect to fines that our Group may be exposed to due to shortfall of social insurance during the Track Record Period would be approximately RMB13.5 million, RMB23.1 million, RMB38.7 million in 2018, 2019 and 2020, respectively.

Latest Status and Remedial Measures

As of the Latest Practicable Date, no administrative action or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order to settle the deficit amount. Moreover, as of the Latest Practicable Date, we were not aware of any complaint filed by any of our employees regarding our social insurance and housing provident fund policy.

We have taken the following internal control rectification measures to prevent future occurrences of such non-compliance:

- We have enhanced our human resources management policies, which explicitly require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements;

- We are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from our employees;

- We have designated our human resources department to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis;

- We will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and
- We will consult our PRC legal counsel on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

In addition, from November 2020 to January 2021, we have consulted with and obtained confirmations from Guangzhou Social Insurance Fund Management Center (廣州市社會保險基金管理中心), Chengdu Social Insurance Management Bureau (成都市社會保險事業管理局), Wuhan Jiang'an Social Insurance Management Bureau (武漢市江岸社會保險管理處), Xi'an Pension Insurance Management Bureau (西安市養老保險經辦處), Shanghai Administration Center for Social Insurance Affairs (上海市社會保險事業管理中心), Shenzhen Social Insurance Fund Management Bureau Affiliated Branch (深圳市社會保障基金管理局直屬分局), Xi'an Housing Provident Fund Management Center (西安住房公積金管理中心), Guangzhou Housing Provident Fund Management Center (廣州住房公積金管理中心), Shanghai Management Center of Accumulation Fund (上海市公積金管理中心), Shenzhen Housing Provident Fund Management Center (深圳市住房公積金管理中心), among others, all being the competent governmental authorities to provide such confirmations as advised by our PRC Legal Advisor, that: (i) in respect of the relevant periods stated therein, no administrative penalties had been imposed, and (ii) we will only be required to make payments for the deficient amount and overdue charges if and when the relevant employee files a complaint. We undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent governmental authorities.

Having considered the foregoing, our Directors believe that such non-compliance would not have a material adverse effect on our business, results of operations or financial condition or the Global Offering, considering that: (i) we had not been subject to any administrative penalties during the Track Record Period and up to the Latest Practicable Date, (ii) we were neither aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date, (iii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds, and (iv) as advised by our PRC Legal Advisor, considering relevant regulatory policies and the facts stated above, in the absence of employees' complaints, the likelihood that we are subject to collection of historical arrears and any material penalties due to our failure to provide full social insurance and housing provident funds contributions for our employees is remote. As a result, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date.

RISK MANAGEMENT AND INTERNAL CONTROL

We have implemented a comprehensive set of risk management policies and procedures to identify, assess and manage risks that we are exposed to in our day-to-day operations. For details of the major risks identified by our management, see "Risk Factors." To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted and will adopt, among other things, the following risk management measures:

- we have established an audit committee to review and supervise our financial reporting process and internal control system. Our audit committee consists of three independent non-executive Directors, namely Ms. Zhang Rui, who serves as chairperson of the committee, Mr. Liu Yiwei and Mr. Chen Qunsheng. For the qualifications and experience of these committee members, see "Directors and Senior Management";

- we will adopt various policies to ensure compliance with the Listing Rules, including but not limited to aspects related to risk management, connected transactions and information disclosure; and

- we will continue to organize training sessions for our Directors and senior management with respect to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

In preparation for the Listing, we engaged Protiviti Shanghai Co., Ltd. (甫瀚諮詢(上海)有限公司) as our independent internal control consultant to perform an assessment on the effectiveness of our internal controls, to identify deficiencies in our internal control system and to furnish recommendations on enhanced internal control measures. The work scope of our internal control consultant covers reviewing and assessing various aspects of our operations, including sales and accounts receivables, procurement and accounts payables, inventory management, production and cost management, human resources, asset management, cash management, financial reporting and disclosure controls, taxation, teahouse operation control and general control on information technology system.

During the reviews of our independent internal control consultant, certain deficiencies were identified and we have adopted corresponding internal control measures to improve on these deficiencies. Such deficiencies included lack of formal policies and procedures with respect to customer complaint handling, IT systems management and maintenance and finance management and inadequate information reporting policies, among others. We had adopted substantially all of the recommendations made by the independent internal control consultant and had improved our internal control system to comply with the Listing Rules.

Set forth below are details of such deficiencies identified and the corresponding rectification actions taken by us subsequently:

- *Customer complaint handling*. The internal control consultant had identified that we did not have in place formal policies and procedures with respect to customer complaint handling. To rectify such deficiencies, we had devised and implemented our customer handling policies and procedures that provide detailed guidance on how to properly handle customer complaints in late January 2021.

- *IT system management and maintenance*. During the Track Record Period, we did not maintain policies and procedures with respect to, among others, data transfer, authorization management and data backup plans. As advised by our internal control consultant, we established a comprehensive set of the relevant policies in late January 2021.

- *Finance management*. We did not have formal written policies and procedures which provide clear guidance on change of accounting policies and estimates and line items, and compilation of financial information, among other things. In late January 2021, we had taken the internal control consultant's recommendations to devise the relevant finance management policies and procedures.

- *Reporting policies*. Our reporting policies were found inadequate with respect to process monitoring and record keeping, by the internal control consultant during the review. We had enhanced our internal control measures by requiring all written records to be reviewed by additional staff before publicly filing such materials with the relevant governmental authorities.

Our independent internal control consultant has performed a follow-up review at the end of January 2021 and confirmed that all material deficiencies previously identified had been rectified.

Having considered the nature and reasons for the non-compliance incidents above, the corrective actions taken and the internal control measures adopted by us, our Directors are of the view, and the Joint Sponsors concur, that (i) our enhanced internal control measures are adequate and effective having regard to the obligations of our Company and our Directors under the Listing Rules and other relevant legal and regulatory requirements; and (ii) the past non-compliance incidents would not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or the suitability for listing of our Company under Rule 8.04 of the Listing Rules on the following basis:

- the occurrence of the non-compliance incidents was not due to the dishonesty, gross negligence or recklessness of our Directors nor for illegitimate purposes;

- none of the non-compliance incidents has any material impact on our business operations and financial position;

- since the implementation of the enhanced internal control measures and up to the Latest Practicable Date, our Directors confirmed that our Group had not had any material breach of rules and regulations other than the non-compliance incidents as disclosed above; and

- our Directors are aware of the requirements and obligations as directors of a listed issuer pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations.

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or our shareholders' rights to receive dividends and other distributions from us.

REGULATIONS ON FOOD SAFETY AND LICENSING REQUIREMENT FOR FOOD OPERATION

Food Safety Law

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》), or the Food Safety Law, as effective on June 1, 2009 and most recently amended on April 29, 2021, the State Council implemented a licensing system for food production and trading activities. A person or entity who engages in food production, food selling or catering services shall obtain the license in accordance with the Food Safety Law.

According to the Food Safety Law, the State Council shall establish a food safety committee whose duties shall be defined by the State Council. The food safety supervision and administration department under the State Council shall exercise supervision and administration over food production and trading activities according to the duties defined by the Food Safety Law and the State Council. The health administrative department under the State Council shall organize the implementation of risk monitoring and risk assessment of food safety according to the duties defined by the Food Safety Law, and shall formulate and issue national food safety standards together with the food safety supervision and administration department under the State Council. Other relevant departments under the State Council shall carry out relevant food safety work according to the duties defined by the Food Safety Law.

The Food Safety Law sets out, as penalties for violation, various legal liabilities in the form of warnings, orders to rectify, confiscations of illegal gains, confiscations of tools, equipment, raw materials and other articles used for illegal production and operation, fines, recalls and destructions of food made in violation of laws and regulations, orders to suspend production and/or operation, revocations of production and/or operation license, and criminal punishment.

The Implementation Rules of the Food Safety Law (《中華人民共和國食品安全法實施條例》), as effective on July 20, 2009 and last amended on October 11, 2019, further specifies the detailed measures to be taken for food producers and business operators and the penalties that shall be imposed should these required measures not be implemented.

Food Operation Licensing

On March 4, 2010, the Ministry of Health promulgated the Administrative Measures on Food and Beverage Service Licensing (《餐飲服務許可管理辦法》) and Administrative Measures on Food Safety Supervision in Food and Beverage Services (《餐飲服務食品安全監督管理辦法》). Pursuant to the Administrative Measures on Food and Beverage Service Licensing, the local food and drug administrations at various levels are responsible for the administration of food and beverage service licensing. Catering service providers are required to obtain a food service license and are responsible for safety in catering services in accordance with the laws. A service provider providing catering services at different locations or venues must obtain separate food service licenses for each venue. In the event of any change in the operation locations, a new application for food service license is required.

On September 30, 2015, China Food and Drug Administration promulgated the Announcement on Using the Food Operation Licenses (關於啟用《食品經營許可證》的公告). Pursuant to the Announcement on Using the Food Operation Licenses, the food service license was replaced by the food operation license.

On August 31, 2015, China Food and Drug Administration promulgated the Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》), which was amended on November 17, 2017. According to the Administrative Measures for Food Operation Licensing, a person or entity that engages in food selling and catering services within PRC (herein after referred to in general as "**food operator**") shall obtain a food operation license in accordance with the law. Food operators engaging at different location or venues must obtain separate food operation licenses for each venue under the principle of one license for one site. Food and drug administrative authorities shall implement classified licensing for food operation according to food operators' types of operation and the degree of risk of their operation projects.

The food operation license is valid for five years upon its issuance. Food operators shall display their original food operation licenses prominently at their sites of operation. If the licensing items which are indicated on a food operation license change, the food operator shall, within ten business days after the changes take place, apply with the food and drug administrative authority which originally issued the license for alteration of the operation license. Those who engage in food preparation activities but failed to obtain a required food operation license shall be punished by the local food and drug administrative authorities at or above the county level according to Article 122 of the Food Safety Law, which provided that the authorities shall confiscate their illegal income, the food or food additives illegally produced or dealt in, and the tools, equipment, raw materials, and other items used for illegal production or operation, and impose a fine of not less than RMB50,000 but not more than RMB100,000 on them if the goods value of the food or food additives illegally produced or dealt in is less than RMB10,000 or a fine of not less than 10 times but not more than 20 times the goods value if the goods value is RMB10,000 or more.

Online Catering Services

In accordance with Measures for the Supervision and Administration of the Safety of Food Offered through Online Catering Services (《網絡餐飲服務食品安全監督管理辦法》), as effective on January 1, 2018, and amended on October 23, 2020, online catering service providers shall have their own physical venues and have obtained the food operation licenses according to the law, and shall carry out business activities pursuant to the business forms and business items specified on their own food operation licenses, and they shall not operate beyond the business scope. Online catering service providers which do not have any physical retail teahouse, or fail to obtain the food operation licenses in accordance with the law shall be punished by the local food and drug administrative authorities at or above the county level according to Article 122 of the Food Safety Law.

REGULATIONS ON THE SANITATION OF THE PUBLIC ASSEMBLY VENUE

The Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例》) effective on April 1, 1987 and as amended on February 6, 2016 and April 23, 2019, and the Implementation Rules for the Regulation for the Administration of Sanitation of the Public Assembly Venue (《公共場所衛生管理條例實施細則》) effective on May 1, 2011, and as amended on January 19, 2016 and December 26, 2017, were promulgated by the State Council and the Ministry of Health (later known as National Health Commission of the People's Republic of China) respectively. The regulations were adopted to create favorable and sanitary conditions for the public assembly venues, prevent disease transmission and safeguard people's health. Depending on the requirements of the local health and family planning administrations, a restaurant is required to obtain a public assembly venue hygiene license from the local health authority after it applies for a business license to operate its business.

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

REGULATIONS ON LIQUOR CIRCULATION

The Guidance of Ministry of Commerce on Promoting Healthy Development of Liquor Circulation for the "13th Five-Year" Period (《商務部關於"十三五"時期促進酒類流通健康發展的指導意見》), which was promulgated by MOFCOM on February 13, 2017 stipulates to eliminate the regional alcohol ban, to clean up and abolish the relevant regulations and practices that hinder the free circulation of alcohol, and to promote the market formation and circulation of alcohol.

However, liquor operators may be required by local governments to obtain local licenses for the distribution of alcoholic products. For example, pursuant to the Administrative Measures of Shanghai Municipality for Production and Sales of Alcohol Commodities (《上海市酒類商品產銷管理條例》), which was adopted by the Standing Committee of Shanghai People's Congress, local enterprises that engage in alcohol wholesaling must apply to the municipal wine monopoly bureau for an alcohol wholesale license, while local enterprises that engage in alcohol retailing must apply to the district (county) wine administrative department for an alcohol retail license.

REGULATIONS ON E-COMMERCE ACTIVITIES

On August 31, 2018, the SCNPC promulgated the E-Commerce Law of the PRC (《中華人民共和國電子商務法》), or the E-Commerce Law, which became effective on January 1, 2019. Business activities conducted online to sell commodities or offer services shall be governed by the E-Commerce Law. Pursuant to the E-Commerce Law, e-commerce operators that engage in the business activities of selling commodities or offering services through the internet and other information networks include e-commerce platform operators, intra-platform business operators, and other e-commerce operators that sell commodities or offer services through a self-built website or other network services.

E-commerce operators must fulfill market entity registration (unless no such registration is required by law and administrative regulations) and obtain the relevant administrative licenses for conducting those operational activities which it is required by law to obtain.

REGULATIONS ON SINGLE-PURPOSE COMMERCIAL PREPAID CARDS

The Administrative Measures for Single-Purpose Commercial Prepaid Cards (for Trial Implementation) (《單用途商業預付卡管理辦法(試行)》) was issued on September 21, 2012, and amended on August 18, 2016. It applies to business in the retail, accommodation and catering, and residential service industry that conduct single-purpose commercial prepaid card business within China. A card issuer shall make relevant filings within 30 days from the commencement of its single-purpose card business. Where a card issuer violates the above requirement, the local commerce department at or above the county level at the place where the violation occurs shall order the enterprise to make corrections within a prescribed time limit; and if the card issuer fails to do so within the time limit, it shall be subject to a fine of more than RMB10,000 but less than RMB30,000.

REGULATIONS ON ENVIRONMENTAL PROTECTION

Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), or the Environmental Protection Law, was promulgated and effective on December 26, 1989, and most recently amended on April 24, 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health.

According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the relevant government agencies.

Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced cease of operation, forced reinstallation of dismantled installations for the prevention and control of pollution or forced use of those left idle, forced shutdown, or criminal punishment.

Law on Environment Impact Assessment

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment (《中華人民共和國環境影響評價法》) issued on October 28, 2002 and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the EIR Form according to the following rules:

- for projects with potentially serious environmental impact, an EIR shall be prepared to provide a comprehensive assessment of their environmental impact;

- for projects with potentially mild environmental impact, an EIS shall be prepared to provide an analysis or specialized assessment of their environmental impact; and

- for projects with very small environmental impact, an EIA is not required but an EIR Form shall be completed.

According to Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (《建設項目環境影響評價分類管理名錄》), or Classified Administration Catalogue (2018 version), issued on September 2, 2008 and amended on April 28, 2018, the food and beverage services are classified as to fill in an Environmental Impact Registration Form. Where the construction entity fails to fill in the Environmental Impact Registration Form in accordance with the law, the environmental protection administrative department at or above the county level shall order it to fill in, and impose a fine of not more than RMB50,000 on it. On November 30, 2020, Ministry of Ecology and Environment of the PRC promulgated Classified Administration Catalogue of Environmental Impact Assessments for Construction Projects (2021 version) (《建設項目環境影響評價分類管理名錄(2021年版)》), or Classified Administration Catalogue (2021 version), which became effective on January 1, 2021 and repealed Classified Administration Catalogue (2018 version). According to Classified Administration Catalogue (2021 version), the food and beverage services are not included in the management of environmental impact assessment of construction projects.

REGULATIONS ON FIRE PREVENTION

Fire Protection Design Procedure

The Fire Prevention Law of the PRC (《中華人民共和國消防法》), or the Fire Prevention Law, was adopted on April 29, 1998 and amended on October 28, 2008, April 23, 2019 and April 29, 2021. According to the Fire Prevention Law and other relevant laws and regulations of the PRC, the Emergency Management Authority of the State Council and local people's governments at or above county level shall monitor and administer the fire prevention affairs, and the fire prevention and rescue departments of such people's governments are responsible for implementation. The Fire Prevention Law provides that the fire prevention design or construction of a construction project must conform to the national fire prevention technical standards. According to Provisions on the Supervision and Administration of Fire Protection of Construction Projects (《建設工程消防監督管理規定》), or the Fire Protection Supervision Provisions, issued on April 30, 2009 and amended on July 17, 2012, for the restaurants, teahouses or coffee houses with more than 500 square meters and with entertainment functions, the construction entity shall apply for fire protection design approval. For other restaurants, teahouses or coffee houses, the construction entity shall, within seven days upon obtaining the construction permit of the project, submit the fire protection filing for fire protection design. The Fire Protection Supervision Provisions was repealed on June 1, 2020. After the Fire Prevention Law was amended on April 23, 2019, the relevant housing and urban-rural development authority replaced fire prevention and rescue departments to monitor and administer the fire protection design procedure. According to the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development and effective on June 1, 2020, for the restaurants, teahouses or coffee houses with more than 500 square meters and with entertainment functions, the construction entity shall apply for fire protection design approval. For other restaurants, teahouses or coffee houses, when the construction entity applies for construction permit or for approval of commencement report, it shall provide the fire protection design drawings and technical materials satisfying the requirement of the construction and such construction project shall be subject to the filing and random inspection system.

According to the regulations of the Ministry of Public Security, for a construction project of which the investment is less than RMB300,000 or the construction area is less than 300 square meters, the fire protection design approval or filing is not required.

The Required As-built Acceptance Check on Fire Prevention and Fire Safety Filing

Pursuant to the Fire Prevention Law, upon the completion of a construction project to which the fire prevention design has been applied, such project must pass the required as-built acceptance check on fire prevention by, or file with, relevant housing and urban-rural development authority. For the restaurants, teahouses or coffee houses with more than 500 square meters and with entertainment functions, the construction entity or entity using such venue shall, prior to use and operation of any business thereof, apply for the required as-built acceptance check on fire prevention with relevant fire prevention and rescue department of the local people's governments at or above the county level where the venue is located. For other restaurants, teahouses or coffee houses, the construction entity or entity using such venue shall submit the fire safety filing. After the Fire Prevention Law was amended on April 23, 2019, the relevant housing and urban-rural development authority replaced fire prevention and rescue departments to monitor and administer the required as-built acceptance check on fire prevention and fire safety filing. According to the regulations of the Ministry of Public Security, for a construction project of which the investment is less than RMB300,000 or the construction area is less than 300 square meters, the required as-built acceptance check on fire prevention or fire safety filing is not required. Pursuant to the Fire Prevention Law, the construction project that fails to complete the required as-built acceptance check on fire prevention shall be ordered by the relevant government authorities to close down and shall be fined not less than RMB30,000 but not more than RMB300,000. The construction project that fails to complete fire safety filing shall be ordered to rectify and be subject to a fine of up to RMB5,000. Even if the construction project has completed the fire safety filing, it may be randomly inspected by the relevant government authorities and if it fail to pass random inspection by the relevant government authorities after the fire safety filing, the construction entity shall close down the construction project, and where rectification is not made, it shall be ordered by the relevant government authorities to close down or cease the business operations and be fined not less than RMB30,000 but not more than RMB300,000.

Fire Safety Inspection

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

REGULATIONS RELATING TO CUSTOMER RIGHTS PROTECTION

The PRC Customer Rights and Interests Protection Law (《中華人民共和國消費者權益保護法》), or the Customer Protection Law, as amended on October 25, 2013 and effective on March 15, 2014, sets out the obligations of business operators and the rights and interests of the customers. Pursuant to Customer Protection Law, business operators must guarantee that the commodities they sell satisfy the requirements for personal or property safety, provide customers with authentic information about the commodities, and guarantee the quality, function, usage and term of validity of the commodities. Failure to comply with the Customer Protection Law may subject business operators to civil liabilities such as refunding purchase prices, replacing or repairing the commodities, mitigating the damages, compensation, and restoring the reputation, and subject the business operators or the responsible individuals to criminal penalties if business operators commit crimes by infringing the legitimate rights and interests of customers.

REGULATIONS ON FOREIGN INVESTMENT

The establishment, operation and management of companies in China is governed by the PRC Company Law (《中華人民共和國公司法》), as amended in 2005, 2013 and 2018. According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The PRC Company Law applies to both PRC domestic companies and foreign investment companies. Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) promulgated by MOFCOM on October 8, 2016, amended on July 30, 2017 and on June 29, 2018, foreign invested enterprises which are not subject to the approval requirement under the special entry management measures, shall file with relevant commerce authorities for its establishment and changes. On January 1, 2020, MOFCOM and SAMR promulgated the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), repealing the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises. Where foreign investors carry out investment activities directly or indirectly within China, foreign investors or foreign-funded enterprises shall report investment information to commerce departments. On June 23, 2020, MOFCOM and NDRC promulgated the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2020) (《外商投資准入特別管理措施(負面清單)(2020年版)》, or the Negative List (2020), which became effective on July 23, 2020. The customer food and beverage services were not included in the Negative List (2020). Fields that were not included in the Negative List (2020) shall be regulated according to the principle of equal treatment of domestic and foreign investments.

On March 15, 2019, the NPC promulgated the Foreign Investment Law (《中華人民共和國外商投資法》), or the Foreign Investment Law, which became effective on January 1, 2020 by replacing the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》), and became the legal foundation for foreign investment in the PRC. The Foreign Investment Law implements the administrative system of pre-entry national treatment and negative list to the foreign investments. Pursuant to the Foreign Investment Law, national treatment shall be applied to the foreign investments beyond to the negative list to be promulgated by the State Council.

On December 26, 2019, the State Council promulgated the Implementation Regulations of Foreign Investment Law (《中華人民共和國外商投資法實施條例》) which became effective on January 1, 2020. The Implementation Regulations of Foreign Investment Law provides specific operation rules for the principles of investment protection, investment promotion and investment management in the Foreign Investment Law.

Our equity ownership in our PRC subsidiaries, including in Shenzhen Pindao Management and Shenzhen Pindao Group in the PRC are subject to the Foreign Investment Law.

REGULATIONS ON INFORMATION SECURITY AND PRIVACY PROTECTION

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by NPC on May 28, 2020 and came into effect on January 1, 2021, the personal information of a natural person shall be protected. Any organization or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others.

In recent years, PRC government authorities have enacted laws and regulations on internet use to protect personal information from any unauthorized disclosure. Pursuant to Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which was promulgated by the Ministry of Industry and Information Technology (the "**MIIT**") in December 2011 and became effective in March 2012, internet information service providers shall not collect any users' personal information or provide any such information to third parties without the consent of the users. An internet information service provider must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for the provision of its services. An internet information service provider is also required to properly maintain the users' personal information, and in case of any leak or likely leak of the users' personal information, and it must take immediate remedial measures and, in severe circumstances, immediately report to the telecommunications authorities. Moreover, pursuant to the PRC Criminal Law (《中華人民共和國刑法》), as last amended in December 2020, any individual or entity that (i) sells or discloses any citizen's personal information to others in a way violating the applicable law, or (ii) steals or illegally obtains any citizen's personal information in severe situation, shall be subject to criminal penalty. Any internet service provider that fails to fulfill the obligations related to internet information security administration as required by applicable laws and refuses to rectify upon orders, shall be subject to criminal penalty for the result of (i) any dissemination of illegal information in large scale; (ii) any severe effect due to the leakage of the client's information; (iii) any serious loss of criminal evidence; or (iv) other severe situations. In addition, the Interpretations of the Supreme People's Court and the Supreme People's Procuratorate of the PRC on Several Issues Concerning the Application of Law in Handling Criminal Cases of Infringing Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which was promulgated in May 2017 and became effective in June 2017, clarified certain standards for the conviction and sentencing of the criminals in relation to personal information infringement. Furthermore, the NPC promulgated a new National Security Law (《中華人民共和國國家安全法》), which became effective in July 2015, to replace the former National Security Law and cover various types of national security including technology security and information security.

The PRC Cyber Security Law (《中華人民共和國網絡安全法》), which was promulgated on November 7, 2016 and became effective on June 1, 2017, prohibits individuals or entities from obtaining personal information through stealing or other illegal ways, selling or otherwise illegally disclosing personal information. The PRC Cyber Security Law requires network operators, including internet information services providers among others, to adopt technical measures and other necessary measures in accordance with applicable laws, regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. Any violation of the provisions and requirements under the PRC Cyber Security Law may subject internet service providers to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities. Furthermore, MIIT's Rules on Protection of Personal Information of Telecommunications and Internet Users (《電信和互聯網用戶個人信息保護規定》), which was promulgated in July 2013 and became effective in September 2013, contains detailed requirements on the use and collection of personal information as well as security measures required to be taken by telecommunications business operators and internet information service providers.

REGULATIONS ON FOREIGN EXCHANGE

Regulation on Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》), as amended on August 5, 2008, Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless prior approval is obtained from SAFE, and prior registration with SAFE is made.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》), or the SAFE Circular 19, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》). SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》), or the SAFE Circular 16, as effective on June 9, 2016, which, among other things, amended certain provisions of SAFE Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign investment company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

Since 2012, SAFE has promulgated several circulars to substantially amend and simplify the current foreign exchange procedures. Pursuant to these circulars, the opening of foreign exchange accounts with various special purpose, the reinvestment with RMB proceeds by foreign investors in the PRC and remittance of profits and dividends in foreign currency foreign investment to its foreign shareholders are no longer subject to the approval or verification of SAFE. In addition, domestic companies are allowed to provide cross-border loans not only to their offshore subsidiaries, but also to their offshore parents and affiliates. SAFE also promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《國家外匯管理局關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) in May 2013, as amended in October 2018, which specifies that the administration by SAFE or its local branches over foreign investors' direct investment in the PRC shall be conducted by way of registration, and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), or the SAFE Circular 13, which became effect on June 1, 2015. SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments. On January 26, 2017, SAFE issued the Circular on Further Advancing Foreign Exchange Administration Reform to Enhance Authenticity and Compliance Reviews (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall keep the income into the account for previous years' losses before remitting the profits.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

In 2014, SAFE issued the SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 37. SAFE Circular 37 regulates foreign exchange matters in relation to offshore investments and financing or round-trip investments of residents or entities by way of special purpose vehicles in China. Under SAFE Circular 37, a "special purpose vehicle" refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investments, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investments in China by PRC residents or entities through special purpose vehicles, namely, establishing foreign investment enterprises to obtain ownership, control rights and management rights. SAFE Circular 37 provides that, before making a contribution into a special purpose vehicle, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch, and in the event the change of basic information such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the PRC residents or entities shall complete the change of foreign exchange registration formality for offshore investments.

In 2015, SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment. This notice has amended SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branches in connection in relation to their establishment or control of an offshore entities for the purpose of overseas investment or financing. PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to special purpose vehicles but had not registered as required before the implementation of the SAFE Circular 37 must register their ownership interests or control in the special purpose vehicles with qualified banks. Amendments to the registration are required if there is any material change with respect to the registered special purpose vehicle, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in the investment amount, transfers or exchanges of shares, or mergers or divisions. Failure to comply with the registration procedures as set forth in SAFE Circular 37 and the subsequent notice, or making misrepresentations or failure to disclose the control of the foreign investment enterprise which is established through round-trip investments, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign investment enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.

REGULATIONS RELATING TO DIVIDEND DISTRIBUTIONS

Pursuant to the PRC accounting standards and regulations, foreign investment enterprises in China can pay dividends only out of their accumulated profits, if any. In addition, foreign investment enterprises in the PRC are required to allocate at least 10% of their accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. Furthermore, pursuant to PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), which was amended on February 24, 2017 and on December 29, 2018, the maximum tax rate for the withholding tax imposed on dividend payments from the foreign invested companies to their overseas investors, who are not regarded as “resident” for tax purposes, is 20%. The rate was reduced to 10% under the Implementing Regulations for the PRC Enterprise Income Tax Law issued by the State Council. However, a lower withholding tax rate of 5% may be applied if there is a tax treaty between China and the jurisdiction of the foreign holding companies such as Hong Kong, and certain requirements specified by PRC tax authorities are satisfied.

REGULATIONS RELATING TO STOCK INCENTIVE PLANS

SAFE promulgated the Circular of the SAFE on Issues concerning the Administration of Foreign Exchange Used for Domestic Individuals' Participation in Equity Incentive Plans of Companies Listed Overseas (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), or the Stock Option Rules, in February 2012, replacing the previous rules issued by SAFE in March 2007. Pursuant to Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. PRC residents who participates in a stock incentive plan must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of the participants. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan or the PRC agent or any other material changes. The PRC agent must apply to SAFE or its local branches on behalf of the PRC residents who have the right to exercise the employee share options on the annual quota for the payment of foreign currencies. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distributed to such PRC residents.

See "Risk Factors – Risks Relating to Doing Business in China – Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions when we adopt incentive plans in the future."

REGULATIONS RELATING TO OVERSEAS LISTINGS

In 2006, six PRC regulatory agencies, including the MOFCOM, the State-owned Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration of Industry and Commerce, the CSRC, and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules, among other things, requires that an offshore special purpose vehicle which is formed for the purpose of an overseas listing and controlled directly or indirectly by PRC companies or individuals must obtain the approval of the CSRC prior to the listing and trading of its securities on an overseas stock exchange.

REGULATIONS ON LABOR

Labor Law and Labor Contracts

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 and December 29, 2018, enterprises shall establish and improve their system of work place safety and sanitation, strictly abide by state rules and standards on work place safety, and conduct employees training on labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with statutory standards. Enterprises and institutions shall provide employees with a safe work place and sanitation conditions which are in compliance with relevant laws and regulations of labor protection.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated on September 18, 2008 set out specific provisions in relation to the execution, the terms and the termination of a labor contract and the rights and obligations of the employees and employers, respectively. At the time of hiring, the employers shall truthfully inform the employees the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employees request to be informed about.

Dispatched Workers

According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) issued on January 24, 2014 and implemented on March 1, 2014 by the Ministry of Human Resources and Social Security, employers may only use dispatched workers for temporary, ancillary or substitute positions. The aforementioned temporary positions shall mean positions lasting for no more than six months; ancillary positions shall mean positions of non-major business that serve positions of major business; and substitute positions shall mean positions that can be substituted by other workers for a certain period of time during which the workers who originally hold such positions are unable to work as a result of full-time study, being on leave or other reasons. According to the Interim Provisions on Labor Dispatch, the employers should strictly control the number of dispatched workers, and the number of the dispatched workers shall not exceed 10% of the total amount of their employees.

Pursuant to the Interim Provision on Labor Dispatch, the Labor Contract Law of the PRC and the Implementation Regulations for the Labor Contract, the employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make rectification within a stipulated period. Where rectification is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

Social Insurance and Housing Fund

Employers in the PRC are required to contribute, for and on behalf of their employees, to a number of social insurance funds, including funds for pension, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing fund. These payments are made to local administrative authorities and employers who fail to contribute may be fined and be ordered to make up for the outstanding contributions. The various laws and regulations that govern the employers' obligations to contribute to the social insurance funds include the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on October 28, 2010 and amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019, the Regulations on Work-related Injury Insurance (《工傷保險條例》), which was promulgated by the State Council on April 27, 2003 and amended on December 20, 2010, and the Regulations on Management of the Housing Fund (《住房公積金管理條例》), which was promulgated and became effective on April 3, 1999 and was amended on March 24, 2002 and on March 24, 2019.

REGULATIONS ON PROPERTY LEASING

Pursuant to Administrative Measures on the Lease of Commodity Housing (《商品房屋租賃管理辦法》) issued by Ministry of Housing and Urban-Rural Development on December 1, 2010, parties to a lease agreement shall complete the lease registration and filing process with the competent construction (real estate) departments of the municipalities directly under the PRC governments of cities and counties where the housing is located within 30 days after the lease agreement is signed. For those who fail to comply with the above regulations, such competent departments may impose a fine ranging from RMB1,000 and RMB10,000 per lease.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Copyright

On September 7, 1990, the SCNPC promulgated the PRC Copyright Law (《中華人民共和國著作權法》), which was amended in 2001, 2010, 2012 and 2020. The implementing regulations of the PRC Copyright Law (《中華人民共和國著作權法實施條例》) was promulgated in 2002 and amended in 2013. The PRC Copyright Law and its implementation regulations are the principal laws and regulations governing the copyright related matters. Pursuant to the amended PRC Copyright Law, products disseminated over the internet and software products, among others, are entitled to copyright protections. Registration of copyright is voluntary, and it is administrated by the China Copyright Protection Center.

The State Council and National Copyright Administration (the "**NCA**"), have promulgated various rules and regulations relating to the protection of software in China, including the Regulations on Protection of Computer Software (《計算機軟件保護條例》) which was promulgated by State Council on January 30, 2013 and became effective since

March 1, 2013, and the Measures for Registration of Copyright of Computer Software (《計算機軟件著作權登記辦法》) which was promulgated by NCA on February 20, 2002 and became effective since the same date. According to these rules and regulations, software owners, licensees and transferees may register their rights in software with the NCA or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to complete the registration process and thus the registered software rights may be entitled to better protections.

Domain Name

On August 24, 2017, MIIT promulgated Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), repealing the Domain Name Measures (《中國互聯網絡域名管理辦法》) since November 1, 2017. The efforts to undertake internet domain name services as well as the operation, maintenance, supervision and administration thereof and other relevant activities within the territory of the PRC shall thereafter be made in compliance with Administrative Measures for Internet Domain Names. In accordance with the Measures on Country Top-level Domain Name Dispute Resolution (《國家頂級域名爭議解決辦法》) promulgated by the CNNIC, which became effective on June 18, 2019, domain name dispute can be resolved by a domain name dispute resolution institution recognized by the CNNIC.

Trademark

The PRC Trademark Law (《中華人民共和國商標法》), adopted in 1982 and last amended in 2019, with its implementation rules adopted in 2002 and amended in 2014, protects registered trademarks. The Trademark Office of the State Administration for Industry and Commerce handles trademark registrations and grants a protection term of ten years to registered trademarks. Trademark license agreements must be filed with the Trademark Office for record.

Patent

The SCNPC adopted the PRC Patent Law (《中華人民共和國專利法》) in 1984 and amended it in 1992, 2000, 2008 and 2020, respectively. A patentable invention or utility model must meet three conditions, e.g. novelty, inventiveness and practical applicability. Patents will not be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds or substances obtained by means of nuclear transformation. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model, or a fifteen-year term for a design, starting from the application date. Except for certain specific circumstances provided by law, any third party users must obtain consent or a proper license from the patent owners to use the patent, otherwise the use of patent will constitute an infringement of the rights of the patent holder.

REGULATIONS RELATING TO TAX IN THE PRC

Enterprise Income Tax

The PRC Enterprise Income Tax Law and its implementing rules provide that dividends paid by a PRC entity to a nonresident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), or the SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. In October 2019, the State Administration of Taxation promulgated the Administrative Measures for Nonresident Taxpayers to Enjoy Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), or the SAT Circular 35, which became effective on January 1, 2020. SAT Circular 35 provides that nonresident enterprises are not required to obtain preapproval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, we may be able to benefit from the 5% withholding tax rate for the dividends received from PRC subsidiaries if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, according to SAT Circular 81 and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%.

Value-Added Tax

The Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (《財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated by Ministry of Finance and State Administration of Taxation on March 23, 2016, became effective on May 1, 2016 and was last amended on March 20, 2019, provides that the pilot program of replacing business tax with value-added tax shall be implemented nationwide with effect since May 1, 2016 and all business tax payers in construction industry, real estate industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax.

Pursuant to Decision of State Council on Abolition of the Provisional Regulations of the People's Republic of China on Business Tax and Revision of the Provisional Regulations of the People's Republic of China on Value-added Tax (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》), which was promulgated on November 19, 2017 and became effective on the same day, business tax is officially replaced by value-added tax.

Pursuant to the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) promulgated on December 13, 1993 and last amended on November 19, 2017 and its implementation rules, all entities or individuals in the PRC engaged in the sale of goods or processing, repair and assembly services, sales services, intangible assets, real estate and importation of goods in the People's Republic of China are required to pay value-added tax.

CONTROLLING SHAREHOLDERS

Each of Mr. Zhao, Ms. Peng, Linxin Group, Linxin International, Linxin Holdings, Forth Wisdom Limited and Crystal Tide Profits Limited is a Controlling Shareholder of the Company.

As of the Latest Practicable Date, Mr. Zhao and Ms. Peng, being spouses, were able to exercise approximately 75.35% of the voting rights in our Company through (i) Linxin Group (an investment holding company wholly-owned by Linxin International, which is in turn wholly-owned by Linxin Trust, an irrevocable discretionary trust established in Guernsey on December 30, 2020 and the beneficiary of which is Linxin Holdings, a holding company ultimately owned as to 50% by Ms. Peng and 50% by Mr. Zhao, respectively) which was interested in 67.04% of the issued share capital of our Company; (ii) Forth Wisdom Limited (our Company's offshore employee incentive platform for the Equity Incentive Plans) which was interested in 6.29% of the issued share capital of our Company, the voting rights held by which were exercised jointly by Mr. Zhao and Ms. Peng; and (iii) Crystal Tide Profits Limited (a platform holding Shares for future benefit to employees, advisors and consultants as the Board deems fit) which was interested in 2.02% of the issued share capital of our Company, the voting rights held by which were exercised by Ms. Peng.

Accordingly, Mr. Zhao and Ms. Peng, are deemed to control over 30% of the voting power at general meetings of our Company. Therefore, they are considered as the Controlling Shareholders of our Company. Linxin Group, Linxin International and Linxin Holdings, as investment vehicles, as well as Forth Wisdom Limited, our Company's offshore employee incentive platform for the Equity Incentive Plans and Crystal Tide Profits Limited, a platform holding Shares for future benefit to employees, advisors and consultants as the Board deems fit, the voting rights held by all of which are ultimately exercised by Mr. Zhao and Mr. Peng, are also each considered as a Controlling Shareholder of our Company pursuant to Guidance Letter HKEX-GL89-16 issued by the Stock Exchange.

Immediately upon completion of the Global Offering (without taking into account any Shares to be allotted and issued upon the exercise of the Over-allotment Option), Mr. Zhao and Ms. Peng will be able to exercise in aggregate approximately 64.05% of the voting rights in our Company and, together with Linxin Group, Linxin International, Linxin Holdings, Forth Wisdom Limited and Crystal Tide Profits Limited, will remain as our Controlling Shareholders under the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of nine Directors comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. For more information, see the section headed "Directors and Senior Management" in this Prospectus.

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

(a) each Director is aware of his or her fiduciary duties as a director which require, among other things, that such Director acts for the benefit and in the interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;

(c) we have 3 independent non-executive Directors and certain matters of our Company must be subject to the review and approval of such independent non-executive Directors;

(d) 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 associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions. In addition, the interested Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or any other proposal in which he or she or any of his or her close associates (as defined in the Articles) is materially interested in except for certain circumstances as set out in the Articles. For details, see the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III; and

(e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see "– Corporate Governance Measures" in this section below for further information.

Operational Independence

Our Group is not operationally dependent on our Controlling Shareholders. We do not rely on our Controlling Shareholders for the execution of our business strategies, operations of our teahouses, staffing, or engagement in sales and marketing activities. Our Directors and senior management are responsible for the conduct of our business. We have independent access to our customers and an independent management team to oversee our day-to-day operations. We do not rely on our Controlling Shareholders for any relevant material licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

During the Track Record Period, our Group purchased certain packaging materials under a packaging materials sales framework agreement (the "**Packaging Materials Sales Framework Agreement**") from Zundao, which is an associate of Mr. Zhao and Ms. Peng, each of whom is our executive Director and Controlling Shareholder. Zundao is engaged in the sales and manufacturing of packaging materials, which does not compete and would not be likely to compete, directly or indirectly, with our business, being the management and operation of our teahouse network. Our Group is not involved in the sales and manufacturing of packaging materials. Please see the section headed "Connected Transactions" of this Prospectus for details. We consider that the Packaging Materials Sales Framework Agreement to be on normal commercial terms (or commercial terms that are better to us), and in the best interests of the Shareholders as a whole. The prices under the Packaging Materials Sales Framework Agreement were determined by the parties after arm's length negotiations with reference to the types, pricing, quality and specifications of the packaging materials to be purchased by us from Zundao, which were no less favorable than that available to us from other independent third party suppliers. Materials purchased from Zundao contributed to less than 4% of our operating costs over the course of our Track Record Period. Our Group believes, and as confirmed by CIC, that substitute suppliers for the packaging materials provided by Zundao are readily available. As confirmed by CIC, the sales prices of Packaging Materials provided by Zundao are within their industry range, fair and reasonable and on par with the substitute suppliers available. Hence, there is no reliance by our Group on Zundao.

During the Track Record Period, our Group were provided with the management and consultation services for our delivery platforms under a delivery platform management and consultation service agreement (the "**Delivery Platform Management and Consultation Service Agreement**") from Shenzhen Fucheng Technology Co., Ltd. (深圳市賦程科技有限公司) ("**Fucheng**"), which is an associate of Ms. Peng, our executive Director and Controlling Shareholder. Fucheng is primarily engaged in the provision of catering management advisory and internet information advisory services, including delivery platform management and consultation services, which does not compete and would not be likely to compete, directly or indirectly, with the Group, the business of which is principally the management and operation of its teahouse network. The Group is not involved in any online delivery platform management, advisory or consultation services. Please see the section headed "Connected Transactions" of this Prospectus for details. We consider that the Delivery Platform Management and Consultation Service Agreement to be on normal commercial terms (or commercial terms that are better to us), and in the interests of the Shareholders as a whole. The prices under the Delivery Platform Management and Consultation Service Agreement were determined by the parties after arm's length negotiations with reference to the types, pricing and quality of the online delivery management and consultation services to be purchased by us from Fucheng, which were no less favorable than that available to us from other independent third party suppliers. Services from Fucheng contributed to less than 6% of our other expenses over the course of our Track Record Period. Our Group believes, and as confirmed by CIC, that substitute suppliers for the management and consultation services for our delivery platforms provided by Fucheng are readily available. As confirmed by CIC, the service fees of Delivery Platform Management and Consultation Services charged by Fucheng are within their industry range, fair and reasonable and comparable with the substitute suppliers available. Hence, there is no reliance by our Group on Fucheng.

In addition, save as disclosed above, none of our Controlling Shareholders, Directors or their respective close associates has been our major supplier which provides any critical services or materials for our operation.

Financial Independence

Our Group has an independent financial reporting system and makes financial decisions according to our Group's own business needs. We have internal control and accounting systems and an independent finance department for discharging the treasury function. More importantly, we have been and are capable of obtaining equity and debt financing from third parties.

There is no outstanding financial guarantee/assistance provided by our Controlling Shareholders to our Group and vice versa as of the Latest Practicable Date, nor do we have any outstanding share pledges or guarantees provided by our Controlling Shareholders and their respective close associates on our borrowings.

Based on the above, our Directors are of the view that our Directors and senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders after the Listing.

COMPETITION ISSUE UNDER RULE 8.10 OF THE LISTING RULES

Save as disclosed under the section headed "Directors and Senior Management – Competition", our Controlling Shareholders and Directors confirm that as of the Latest Practicable Date, they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETE UNDERTAKING

Each of Mr. Zhao and Ms. Peng, being the ultimate beneficiaries and holders of the voting rights to the controlling interests of every other Controlling Shareholder, has provided a non-competition undertaking which will become effective upon the date of Listing until the earlier of (i) the date when either of Mr. Zhao and Ms. Peng ceases to be our Controlling Shareholder, ceases to hold 30% or above of our total issued share capital, or ceases to hold the voting rights to his or her controlling interest, or (ii) the date when the Company ceases to be listed on the Stock Exchange, and pursuant to which each of Mr. Zhao and Ms. Peng has unconditionally and irrevocably undertaken that it will not, and will procure his/her close associates (except any member of our Group) not to, whether directly or indirectly, through or by facilitation of third parties, engage in any business that competes, or is likely to compete, directly or indirectly with our Group.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interest. We will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and the Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of his associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with a Controlling Shareholder or any of his associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Guotai Junan Capital Limited as our compliance advisor to provide advice and guidance in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage potential conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the Listing.

We have entered into certain agreements with parties that will be our Connected Persons. Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

1. SUMMARY OF OUR CONNECTED PERSONS

Following the Listing, the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

Name of Connected Person	Connected Relationship
Zundao	a company held as to 50% by Shenzhen Xinlin Cultural Communication Co., Ltd. (深圳市心林文化傳播有限責任公司), which is held as to 50% by Mr. Zhao and 50% by Ms. Peng, each of whom is our executive Director and Controlling Shareholder, respectively
Shenzhen Fucheng Technology Co., Ltd. (深圳市賦程科技有限公司) ("**Fucheng**")	a company held as to 51% by Mr. Peng Zhen Yu (彭振宇), who is the brother of Ms. Peng (our executive Director and Controlling Shareholder) and an executive director of two of our Company's subsidiaries, namely Shenzhen Pindao Food Co., Ltd. (深圳市品道食品有限公司) and Xiamen Naixue Catering Management Co., Ltd. (廈門市奈雪餐飲管理有限公司)
Chengdu Tiantu Tiantou Dongfeng Equity Investment Fund Center (Limited Partnership) (成都天圖天投東風股權投資基金中心(有限合夥)) ("**Chengdu Tiantu**") and Shenzhen Tiantu Capital Management Center (Limited Partnership) (深圳天圖資本管理中心(有限合夥)) ("**Shenzhen Tiantu Capital**")	Shenzhen Tiantu Capital is a Substantial Shareholder of our Company, and the general partner of Chengdu Tiantu (please refer to the "Substantial Shareholders" section of this Prospectus for details). Hence, Chengdu Tiantu is an associate of Shenzhen Tiantu Capital under Chapter 14A of the Listing Rules

2. SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

No.	Transactions	Applicable Listing Rules	Waiver(s) sought	Proposed annual cap for the year ending December 31, 2021	2022	2023
					(RMB'000)	
Fully-exempt continuing connected transactions						
1.	Provision of Consumer Goods	14A.35, 14A.53, 14A.76(1) and 14A.105	N/A	N/A	N/A	N/A
Partially-exempt continuing connected transactions						
1.	Packaging Materials Sales Framework Agreement	14A.35, 14A.53, 14A.76(2) and 14A.105	Announcement requirement under Chapter 14A of the Listing Rules	80,000	95,000	110,000
2.	Delivery Platform Management and Consultation Service Agreement	14A.35, 14A.53, 14A.76(2) and 14A.105	Announcement requirement under Chapter 14A of the Listing Rules	9,300	9,600	9,800

A. Fully-exempt Continuing Connected Transactions

1. Provision of Consumer Goods

During the Track Record Period, we provided certain consumer goods, such as mooncakes and gift cards for our *Nayuki* products, to Chengdu Tiantu and Shenzhen Tiantu Capital. We completed such sales in the ordinary course of business and expect that such provision of consumer goods by us will continue after the Listing, thereby constituting continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

The provision of such consumer goods by us to Chengdu Tiantu and Shenzhen Tiantu Capital has been and will be made on comparable terms as those offered to Independent Third Party consumers in the open market by the Company.

The aggregate amount of all relevant transactions during Track Record Period was less than RMB0.9 million. Upon Listing, such transactions are expected to be within the *de minimis* threshold provided under Rule 14A.76(1) of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

B. Partially-exempt Continuing Connected Transactions

We set out below a summary of the continuing connected transactions of our Group which are subject to the reporting, annual review and announcement requirements but will be exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Packaging Materials Sales Framework Agreement

Principal Terms

On June 10, 2021, Zundao and our Company entered into a packaging materials sales framework agreement (the "**Packaging Materials Sales Framework Agreement**"), pursuant to which we agreed to purchase tea cups and certain packaging materials for our tea drinks (the "**Packaging Materials**") from Zundao. In particular, upon release of NDRC's new policy on banning plastic packaging materials in early 2020, Zundao is able and will continue to provide us with packaging materials that meet the requirements set forth in the NDRC's new policy.

The Packaging Materials Sales Framework Agreement will commence on the Listing Date and end on December 31, 2023. Subject to compliance with Listing Rules and applicable laws and regulations, the Packaging Materials Sales Framework Agreement may be renewed by agreement between the parties.

Sales of the Packaging Materials under the Packaging Materials Sales Framework Agreement will be made pursuant to individual sales contracts to be entered into for each actual sales order specifying the types, purchase quantity, purchase price, delivery dates and other details of the Packaging Materials. Payment made by us shall be subject to the individual sales contracts entered into between the parties for each actual sales order, in accordance with the terms and conditions of the Packaging Materials Sales Framework Agreement.

Historical amount, annual cap and basis for annual cap

The historical amounts of our purchases of the Packaging Materials from Zundao for the three years ended December 31, 2018, 2019 and 2020 were approximately RMB37.6 million, RMB94.6 million and RMB94.4 million, respectively. The increasing trend in such historical amounts during the Track Record Period was due to an increase in sales of our tea drinks during the same period.

The transaction amount to be paid by us under the Packaging Materials Sales Framework Agreement for the three years ending December 31, 2021, 2022 and 2023, respectively, shall not exceed the proposed annual caps set out in the table below:

	Proposed annual cap for the year ending December 31,		
	2021	**2022**	**2023**
		(RMB'000)	
Transaction amount under the Packaging Materials Sales Framework Agreement	80,000	95,000	110,000

In arriving at the above proposed annual caps, we have taken into account the following factors: (i) the historical amount of our purchases of the Packaging Materials from Zundao, (ii) the expected increase in the sales of our tea drinks and, hence, our demand for the Packaging Materials, (iii) the expected diversification of packaging materials suppliers we may engage in the future, and (iv) the prices of the Packaging Materials and the potential fluctuations in the prices. The Company expects that the Packaging Materials required by the Group will increase in line with the increase in its sales volume, in particular due to the significant increase in the number of teahouses of the Group. Specifically, the annual caps for each of the three years ending December 31, 2021, 2022 and 2023 are determined by a formula which considers the transaction amount per teahouse supplied to by Zundao of a preceding year, the estimated number of teahouses to be supplied by Zundao in the specific year, which would be the total number of teahouses of the preceding year plus the expected store additions which may source from Zundao as certain teahouses would source from other suppliers, and the proportion of Packaging Materials expected to be purchased from Zundao. In particular, the proposed annual cap for the year ending 2021 is lower than the historical amount of our purchases of Packaging Materials from Zundao for the year ended 2020 due to the greater diversification we expect in the packaging materials suppliers we engage and thus we expect the proportion of Packaging Materials to be sourced from Zundao to decrease. As of the Latest Practicable Date, the Group sources Packaging Materials from over twenty suppliers.

Reason for the transactions

The Directors consider the Packaging Materials Sales Framework Agreement to be consistent with the business and commercial objectives of our Company, as the long-term collaboration with Zundao enables us to secure a stable supply of high-quality Packaging Materials at reasonable prices for our tea drinks.

Pricing basis

The assessment and selection of packaging materials suppliers and the exact sales prices of the Packaging Materials under any definitive individual sales contract shall be determined taking into account a variety of factors on a case by case basis with reference to the types, quality and specifications of the Packaging Materials to be purchased. While the Company would not customarily be allowed access to the cost calculations of the packaging materials suppliers, we only enter into individual sales contracts with Zundao when purchase prices are in line with the prevailing market prices and not less favorable to us than what we are able to receive from other comparable independent suppliers. Negotiations between the parties are conducted on an arm's length basis, taking into account factors including, but are not limited to, comparison of quotations from Zundao and those submitted by no less than two packaging material suppliers who are Independent Third Parties, prevailing market prices of open-market packaging raw materials, quality of products, processing skills to meet our customized specifications, capacity to meet our increasing demand of the Packaging Materials, length of settlement period provided, the logistics capacity of suppliers to deliver products to our teahouses located around the country and prior cooperation relationship. The actual purchase prices will be accounted on a monthly basis and regularly reviewed by our independent non-executive Directors to ensure that the pricing basis has been strictly followed.

Information about Zundao

Zundao is a company incorporated in the PRC with limited liability on October 27, 2017. Zundao is held as to (i) 50% by Shenzhen Xinlin Cultural Communication Co., Ltd. (深圳市心林文化傳播有限責任公司), which is held as to 50% by Mr. Zhao and 50% by Ms. Peng, each of whom is our executive Director and Controlling Shareholder, respectively; (ii) 31.50% by Mr. Luo Liang Shan (羅良山), an Independent Third Party; and (iii) 18.50% by Ms. Zhao Xing Min (趙興敏), an Independent Third Party and the spouse of Mr. Luo Liang Shan. Mr. Zhao serves as the supervisor of Zundao. Zundao is primarily engaged in the sales and manufacturing of packaging materials.

Listing Rules Implications

The transactions contemplated under the Packaging Materials Sales Framework Agreement are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that the highest applicable percentage ratio under the Listing Rules in respect of such transactions will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Application for Waiver

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Packaging Materials Sales Framework Agreement, provided that the total value of transactions under the Packaging Materials Sales Framework Agreement for each of the three years ending December 31, 2021, 2022 and 2023 will not exceed the relevant proposed annual caps set forth above.

2. Delivery Platform Management and Consultation Service Agreement

Principal Terms

On June 10, 2021, Fucheng and our Company entered into a delivery platform management and consultation service agreement (the "**Delivery Platform Management and Consultation Service Agreement**"), pursuant to which Fucheng will provide management and consultation services (the "**Delivery Platform Consultation Services**"), including, among other things, (i) advising on the management of our merchant accounts on third-party delivery platforms, (ii) advising on the integration of our operating systems and such third-party delivery platforms, (iii) advising on the operation of online deliveries of our products through our Weixin/WeChat and Alipay mini program (小程序), and (iv) compiling and analyzing the relevant order reports. For example, Fucheng would provide advice on the negotiation with third-party delivery platforms so as to lower third-party platform commissions, proposals to place online advertisements on third-party platforms to increase on-platform customer traffic, propose marketing event ideas to the Company such as discount or festive packages exclusive to *Nayuki* sales on third-party delivery platforms and the Company's Weixin/WeChat and Alipay mini program and design offline public campaign proposals for the Group to take forward to promote subscription to the Company's Weixin/WeChat and Alipay mini programs. To enable Fucheng to compile and analyze order reports, Fucheng has been granted access by the Company to review and download order data from the back end of the Company's delivery order database for the sole purpose of providing Delivery Platform Consultancy Services to the Company, but Fucheng has no authorization and is strictly prohibited from making any amendments to such order data on the Company's systems and is under strict confidential obligations in relation to sharing of any such data. The Company has the right to revoke such authorisation if there is any breach of the Delivery Platform Management and Consultation Service Agreement by Fucheng. Throughout the Track Record Period and as of the Latest Practicable Date, the Delivery Platform Consultation Services provided by Fucheng to the Company covered the third-party delivery platforms of Meituan (美团) and Ele.me (餓了麼).

The Delivery Platform Management and Consultation Service Agreement shall commence on the Listing Date and end on December 31, 2023. Subject to compliance with the Listing Rules and applicable laws and regulations, the Delivery Platform Management and Consultation Service Agreement may be renewed by agreement between the parties.

Service fees to be charged by Fucheng for the Delivery Platform Consultation Services will be calculated based on specified percentages of our revenue generated from delivery order sales through our Weixin/WeChat and Alipay mini program and the third-party online delivery platforms.

Customer orders and sales proceeds of the Group do not flow through Fucheng at any point in time. Customer orders received on third-party platforms are transmitted to the Group to execute the orders, while sales proceeds from such orders are received by the third-party platforms and then accounted for by the third-party platforms with the Group (with commission deducted according to agreed rates) by the third day. On the other hand, customer orders received on the Company's Weixin/WeChat and Alipay mini programs are received by the Group to execute the orders and the relevant sales proceeds are received by the Group's Weixin wallet (微信錢包) or Alipay account (支付寶賬戶), as applicable. Such Weixin wallet and Alipay account would collect all sales proceeds of the Group received through Weixin or Alipay, be it offline sales or sales through Weixin/WeChat and Alipay mini programs, which are then transmitted to the Group's designated bank accounts after commissions are deducted in accordance with the Company's agreements with Weixin and Alipay. Service fees to be paid by the Group to Fucheng are done on a monthly basis at the end of every month.

Historical amount, annual cap and basis for annual cap

Our Group engaged Fucheng to provide delivery platform management and consultation services from January 1, 2019. The historical amounts of our procurement of the Delivery Platform Consultation Services from Fucheng for the year ended December 31, 2019 and 2020 were approximately RMB4.3 million and RMB8.2 million, respectively.

The transaction amount to be paid by us for the Delivery Platform Consultation Services for the three years ending December 31, 2021, 2022 and 2023, respectively, shall not exceed the proposed annual caps set out in the table below:

	Proposed annual cap for the year ending December 31,		
	2021	**2022**	**2023**
		(RMB'000)	
Transaction amount under the Delivery Platform Management and Consultation Service Agreement	9,300	9,600	9,800

In arriving at the above proposed annual caps, we have taken into account the following factors: (i) historical transaction amounts with Fucheng, (ii) the expected increase in our teahouse numbers and sales orders fulfilled through our Weixin/WeChat and Alipay mini program and the third-party online delivery platforms, (iii) the specified percentages of our revenue generated from sales through these online channels, which are negotiated in good faith annually between Fucheng and our Group taking into account the expected total transaction amount of deliveries in the relevant year, which would form the basis for calculating the amount of service fees payable by us to Fucheng and (iv) the prevailing market price for the provision of similar services. The Company expects the service fee paid to Fucheng for Delivery Platform Consultation Services will increase in line with the increase in revenue generated from sales through third-party delivery platforms and the Company's Weixin/WeChat and Alipay mini programs, in particular due to the significant increase in number of teahouses of the Group. Specifically, the annual caps for each of the three years ending December 31, 2021, 2022 and 2023 are based on a sum made up by a percentage of the revenue generated from sales through third-party delivery platforms and another percentage of the revenue from mini programs (such percentages are in line with the percentages paid to Fucheng throughout the Track Record Period), in light of the estimated store additions being opened each year and accessible on these platforms each year.

Reason for the transactions

The Directors consider the Delivery Platform Management and Consultation Service Agreement to be consistent with the business and commercial objectives of our Company. The long-term collaboration with Fucheng provides us with access to reliable technology solution in managing merchant accounts on third-party delivery platforms and integrating our operating systems with third-party delivery platforms, capabilities which the Company does not possess internally, maintain our day-to-day engagement with customers, and track our sales statistics effectively.

Pricing basis

Service fees to be charged shall be determined based on a percentage of the revenue generated through third-party delivery platforms and a percentage of the revenue generated from the Company's Weixin/WeChat and Alipay mini program facilitated and managed by Fucheng. Throughout our Track Record Period, such percentage has been approximately 0.5% of the revenue generated through third-party delivery platforms and approximately 1% of the revenue generated from the Company's delivery orders from Weixin/WeChat and Alipay mini programs and is negotiated by the parties after arm's length negotiations with reference to (i) the nature, complexity and value of the Delivery Platform Consultation Services to be provided, and (ii) the prevailing market rate in respect of similar services. The higher rate charged on revenue generated from the Company's Weixin/WeChat and Alipay mini programs as compared to that charged on revenue generated through third-party delivery platforms is due to the need for relatively greater efforts on behalf of Fucheng to increase sales on the Company's Weixin/WeChat and Alipay mini programs. While there is a direct access point to increase traffic on third-party delivery platforms, most notably by putting in place on-platform advertisements, more strategic and insightful advisory solutions from Fucheng are required to increase traffic on the Company's Weixin/WeChat and Alipay mini programs, for example, proposals to advocate offline promotion of the Company's Weixin/WeChat and Alipay mini programs or advisory solutions to encourage the wider public to use the Company's Weixin/WeChat and Alipay mini programs by advising the Company to promote the Weixin/WeChat and Alipay mini programs on product packaging. As confirmed by Fucheng, where services of a similar nature are provided by Fucheng to customers other than our Group, the service fee rates charged by Fucheng are in line with and no lower than that charged to our Group.

With respect to the assessment and selection of delivery platform management and consultation service suppliers, we will compare the quotations submitted by no less than two suppliers who are Independent Third Parties with that of Fucheng before entering into any definitive service agreement, taking into account a variety of factors including but not limited to price, quality of service, experience with particular platforms, terms of confidentiality and prior cooperation relationship. The actual service fees will be accounted on a monthly basis and regularly reviewed by our independent non-executive Directors to ensure that the pricing basis has been strictly followed. As confirmed by CIC, it is not uncommon for businesses in the food and beverage industry to engage third parties such as Fucheng for management and consultation services to provide professional advice on the management of merchant account on third-party online delivery platforms and the sales operations through Weixin/WeChat and Alipay mini program. As advised by CIC, such third parties usually charge a commission fee as a percentage of the customer's revenue, or a fixed monthly service fee plus a commission fee, which is a percentage of the customer's monthly revenue. As confirmed by CIC, the percentages of revenue charged by Fucheng as service fees (i.e. 0.5% of the revenue generated through third-party delivery platforms and approximately 1% of the revenue generated from the Group's delivery orders from Weixin/WeChat and Alipay mini programs) are within the industry standard.

Information about Fucheng

Fucheng is a company incorporated in the PRC with limited liability on December 3, 2018. Fucheng is held as to (i) 51.00% by Mr. Peng Zhen Yu (彭振宇) ("**Mr. Peng**"), who is the brother of Ms. Peng (our executive Director and Controlling Shareholder) and an executive director of two of our Company's subsidiaries, namely Shenzhen Pindao Food Co., Ltd. (深圳市品道食品有限公司) and Xiamen Naixue Catering Management Co., Ltd. (廈門市奈雪餐飲管理有限公司); and (ii) 49.00% by Mr. Li Ding Kun (李定坤) ("**Mr. Li**"), an Independent Third Party. Fucheng is primarily engaged in the provision of catering management advisory and internet information advisory services, including delivery platform management and consultation services. During the Track Record Period, to the best of the Company's knowledge, having made all reasonable enquiries, Fucheng has also provided Delivery Platform Management and Consultation Services to other companies in the food and beverage industry.

Mr. Li is experienced in the business of delivery platform management and consultation services and was responsible for platform operations and merchant account management at Meituan (美團), a third-party delivery platform, from 2015 to 2017. In 2017, Mr. Li left Meituan to establish his own business primarily providing delivery platform management services and delivery operations solutions to clients in the food and beverage industry. Mr. Peng contributed capital to found Fucheng with Mr. Li in December 2018 after being introduced to Mr. Li through normal business interactions. Before engaging Fucheng, the Company had not begun generating sales from its own Weixin/WeChat and Alipay mini program. The Company has not employed the professional expertise or resources internally to specialize in managing sales through third party delivery platforms or Weixin/WeChat and Alipay mini program, which are services the Company believes that Fucheng is more experienced in delivering and the Company believes it is more effective and cost effective to invoke the service and expertise of Fucheng on an consultant basis.

According to Mr. Peng, he is not involved in the day-to-day management of Fucheng, the management of which has at all material times been entrusted in the hands of Mr. Li. To the best of the Company's knowledge, having made all reasonable enquiries, the Group is a major customer of Fucheng. According to Fucheng, Fucheng also provides delivery platform management and consultation services to other companies in the food and beverage industry and their upcoming business focus is on the expansion of their customer base for catering management advisory and internet information advisory services.

Listing Rules Implications

The transactions contemplated under the Delivery Platform Management and Consultation Service Agreement are conducted in the ordinary and usual course of business on normal commercial terms, and our Directors currently expect that the highest applicable percentage ratio under the Listing Rules in respect of such transactions will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, these transactions will be exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Application for Waiver

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under the Listing Rules in respect of the transactions contemplated under the Delivery Platform Management and Consultation Service Agreement, provided that the total value of transactions under the Delivery Platform Management and Consultation Service Agreement for each of the three years ending December 31, 2021, 2022 and 2023 will not exceed the relevant proposed annual caps set forth above.

DIRECTORS' CONFIRMATION

Our Directors (including the independent non-executive Directors) are of the view that (1) the transactions contemplated under the (i) Packaging Materials Sales Framework Agreement and (ii) Delivery Platform Management and Consultation Service Agreement have been and will be entered into in the ordinary and usual course of business, on normal commercial terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (2) the proposed annual caps for each transaction contemplated under each such agreement are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

JOINT SPONSORS' CONFIRMATION

Based on the due diligence performed by the Joint Sponsors, including review of the documents and information provided by our Company, including but not limited to the (i) Packaging Materials Sales Framework Agreement and (ii) Delivery Platform Management and Consultation Service Agreement and the basis of calculating the annual caps and discussions with our senior management, the Joint Sponsors are of the view that (1) the above-mentioned partially-exempt connected transactions have been and will be entered into in the ordinary and usual course of business, on normal commercial terms or better that are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (2) the proposed annual caps for the above-mentioned partially-exempt connected transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES ADOPTED BY THE COMPANY IN RESPECT OF THE IMPLEMENTATION OF PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION AGREEMENTS

In order to ensure the terms under relevant agreements for the partially-exempt continuing connected transactions are fair and reasonable and are carried out on normal commercial terms, the Company has adopted the following internal control procedures:

- The Company has adopted and implemented a comprehensive management system on connected transactions. Under such system, the shareholders' general meetings, the Board meetings and the company secretary are responsible for supervision, management and approval of the Company's connected transactions in accordance with relevant requirement of the Hong Kong Listing Rules and the Articles of Association. In addition, the finance department and the Corporate Finance and Legal Department of the Company are jointly responsible for the daily management of the connected transactions;

- The independent non-executive Directors will review the agreements for partially-exempt continuing connected transactions to ensure that the agreements have been entered into on normal commercial terms, on terms that are fair and reasonable and carried out in accordance with the terms of such agreements. The auditor of the Company will also review annually the pricing policies and annual caps of such agreements; and

- As mentioned above, in order to ensure that the pricing policies under relevant agreements for the partially-exempt continuing connected transactions are fair and reasonable, the Company shall refer to and observe the following pricing principles and methods for its connected transactions:

  - The pricing for a connected transaction should adopt the state-prescribed price as a priority; where there is no state-prescribed price, the price should be agreed between both parties and shall be fair and reasonable and on normal commercial terms or better;

  - Both parties may determine the pricing method based on particulars of the connected matter and clearly provide it in the agreement in respect of the connected transaction;

  - Normal commercial terms or better: the terms which the Company could obtain if the transaction were on an arm's length basis or terms no less favourable to the Group than terms available to or from independent third parties; and

  - Agreed price: the price and rate determined on arm's length negotiation.

DIRECTORS

As at the date of this Prospectus, our Board of Directors comprises nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. Our executive Directors, non-executive Directors and independent non-executive Directors will be subject to rotation and re-election at the annual general meetings of our Company in accordance with the Articles of Association.

The following table sets out information in respect of the Directors of our Company:

Name	Age	Position	Role and responsibilities	Date of joining our Group	Date of appointment as a Director	Relationship with other Directors/ senior management
Mr. Zhao Lin (趙林)	42	Chairman of the Board, Executive Director and Chief Executive Officer	Responsible for overall strategic planning and business direction of our Group and overseeing management of our business	May 12, 2014	June 9, 2020	Spouse of Ms. Peng
Ms. Peng Xin (彭心) (former name: Peng Xin (彭鑫))	33	Executive Director and General Manager	Responsible for overseeing product development, quality control and overall marketing strategy of our Group	May 12, 2014	September 5, 2019	Spouse of Mr. Zhao
Mr. Deng Bin (鄧彬)	39	Executive Director and Chief Operation Officer	Responsible for overseeing operations of our Group	August 1, 2016	June 9, 2020	N/A
Mr. Pan Pan (潘攀)	41	Non-executive Director	Providing professional strategic advice to the Board	February 17, 2017	October 26, 2020	N/A
Mr. Shao Gang (邵鋼)	49	Non-executive Director	Providing professional strategic advice to the Board	June 9, 2020	June 9, 2020	N/A
Mr. Wong Tak-wai (黃德煒)	44	Non-executive Director	Providing professional strategic advice to the Board	December 31, 2020	December 31, 2020	N/A

Name	Age	Position	Role and responsibilities	Date of joining our Group	Date of appointment as a Director	Relationship with other Directors/ senior management
Mr. Chen Qunsheng (陳群生)	43	Independent Non-executive Director	Providing independent opinion and judgement to the Board	Date of this Prospectus	Date of this Prospectus	N/A
Mr. Liu Yiwei (劉異偉)	49	Independent Non-executive Director	Providing independent opinion and judgement to the Board	Date of this Prospectus	Date of this Prospectus	N/A
Ms. Zhang Rui (張蕊)	58	Independent Non-executive Director	Providing independent opinion and judgement to the Board	Date of this Prospectus	Date of this Prospectus	N/A

Executive Directors

Mr. Zhao Lin (趙林), aged 42, has served as a director of Shenzhen Pindao Management from February 2017 to October 2020 and Director of our Company since June 2020. Mr. Zhao was redesignated as executive Director and appointed as Chairman of the Board and Chief Executive Officer of our Company on February 5, 2021. Mr. Zhao co-founded our Group with Ms. Peng in May 2014 and was principally responsible for the identification and development of store locations to further the Group's expansion. After leaving Meixin (defined below) in January 2016, he has dedicated his full capacity to the Group and is responsible for overall strategic planning and business direction of our Group and overseeing management of our business. Mr. Zhao is the chairperson of the Nomination Committee and member of the Remuneration Committee of Our Company.

Prior to founding Shenzhen Pindao Management, Mr. Zhao worked at BK Foods (Shenzhen) Co., Ltd. (漢堡王食品(深圳)有限公司) from January 2010 to May 2011. Mr. Zhao served as the development manager of Meixin Food (Shenzhen) Co., Ltd. (美心食品(深圳)有限公司) from May 2011 to January 2016 ("**Meixin**"). As confirmed by Mr. Zhao, to the best of his knowledge, he is not aware of any violation of his employment contract with his previous employers nor of any dispute, litigation or penalty brought against him by his previous employers.

Mr. Zhao received a diploma in chrematistics from Urumqi Vocational University (烏魯木齊職業大學) in July 2001.

Mr. Zhao is the spouse of Ms. Peng Xin, our executive Director and general manager.

Ms. Peng Xin (彭心) (with former name as Peng Xin (彭鑫)), aged 33, has served as the director of Shenzhen Pindao Management since our inception in May 2014 and Director of our Company since September 2019. Ms. Peng was redesignated as executive Director and appointed as the general manager of our Company on February 5, 2021. Ms. Peng co-founded our Group with Mr. Zhao in May 2014 and is responsible for overseeing product development, quality control and overall marketing strategy of our Group.

Prior to founding Shenzhen Pindao Management, Ms. Peng served as the deputy secretary general of Pearl Club of Kingdee Software (China) Co., Ltd. (金蝶軟件(中國)有限公司) from August 2010 to October 2012; as the director of Shenzhen Linxin Culture Communication Co., Ltd. (深圳市林心文化傳播有限責任公司) from July 2018 and the director of Shenzhen Xinlin Culture Communication Co., Ltd. (深圳市心林文化傳播有限責任公司) from August 2017. Shenzhen Linxin Culture Communication Co., Ltd. (深圳市林心文化傳播有限責任公司) and Shenzhen Xinlin Culture Communication Co., Ltd. are both investment holding companies at which Ms. Peng holds directorships due to her investment contribution but does not assume executive duties. As confirmed by Ms. Peng, she has not been involved in the day-to-day management of such investment holding companies and the amount of time she spends on such investment holding companies only occupied a limited portion of her time and the substantial part of her time is spent on discharging her duties and responsibilities to the Group.

Ms. Peng received a bachelor's degree in business management from Jiangxi University of Finance and Economics (江西財經大學) in July 2010.

Ms. Peng currently holds directorships in the following principal subsidiaries of our Group: Shenzhen Pindao Group, Shenzhen Pindao Management and Shenzhen Pindao Supply Chain Management Co., Ltd. (深圳市品道供應鏈管理有限公司).

Ms. Peng is the spouse of Mr. Zhao Lin, our Chairman of the Board, executive Director and Chief Executive Officer.

Mr. Deng Bin (鄧彬), aged 39, was appointed as our Director on June 9, 2020 and redesignated as our executive Director on February 5, 2021. Mr. Deng joined our Group in August 2016 and has served as our Chief Operation Officer since January 2019. Mr. Deng is responsible for overseeing operations of our Group.

Mr. Deng served as an operation officer of our Company from August 2016 to December 2017 and he served as regional general manager in charge of our South China businesses from January 2018 to December 2018. Prior to joining our Group, Mr. Deng served as senior division manager of Genki Sushi Catering Service & Management (Shenzhen) Limited (元氣壽司餐飲服務管理(深圳)有限公司) from March 2009 to March 2016 and later, an operation manager from April 2016 to June 2016.

Mr. Deng received a bachelor's degree in business management from Yamanashi Gakuin University in March 2006.

Non-executive Directors

Mr. Pan Pan (潘攀), aged 41, was appointed as our Director on October 26, 2020 and redesignated as our non-executive Director on February 5, 2021. Mr. Pan is responsible for providing professional strategic advice to the Board.

Mr. Pan has been with Tiantu Capital Management Center LLP (深圳天圖資本管理中心(有限合夥)), which is ultimately controlled by Tiantu Capital Co., Ltd. (深圳市天圖投資管理股份有限公司), since March 2014 and he is currently a managing partner in charge of the venture capital division. Mr. Pan has been the non-executive director of Zhou Hei Ya International Holdings Company Limited (周黑鴨國際控股有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1458), since June 2016; and the director of TVZone Media Co., Ltd. (中廣天擇傳媒股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603721), since October 2013. Mr. Pan has served as the director of Hunan Chayue Cultural Industry Development Group Co., Ltd. (湖南茶悅文化產業發展集團有限公司, formerly known as Hunan Chayue Catering Management Co., Ltd. (湖南茶悅餐飲管理有限公司) since February 2019. As director of the above-mentioned companies, Mr. Pan represents investment entities directly or indirectly controlled by Tiantu Capital Co., Ltd. (深圳市天圖投資管理股份有限公司), which is entitled to appoint a board director due to its investment in such companies.

Mr. Pan obtained a bachelor's degree in finance from Hunan University (湖南大學) in June 2002 and a master's degree in finance from Hunan University in December 2004.

Mr. Shao Gang (邵鋼), aged 49, was appointed as our Director on June 9, 2020 and redesignated as our non-executive Director on February 5, 2021. Mr. Shao is responsible for providing professional strategic advice to the Board.

Mr. Shao has served as the director and vice president of Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) since August 2016, where he served as the general manager of the property management branch from January 2013 to June 2014 and director of executive office from July 2008 to January 2013. Mr. Shao served as the chairman of the board of directors of Hotland Innovation Asset Management Co., Ltd. (紅土創新基金管理有限公司) from September 2016 to September 2019 and the director from June 2014 to September 2019.

Mr. Shao received a bachelor's degree in transportation and civil engineering from Northeast Forestry University (東北林業大學) in June 1994 and a master's degree in national economics from Jilin University (吉林大學) in June 1999.

Mr. Wong Tak-wai (黃德煒), aged 44, was appointed as our Director on December 31, 2020 and redesignated as our non-executive Director on February 5, 2021. Mr. Wong is responsible for providing professional strategic advice to the Board.

Mr. Wong currently serves as a managing director of PAG (formerly known as Pacific Alliance Group), an alternative investment group, where Mr. Wong has worked, since March 2011. Mr. Wong has been a non-executive director of Mobvista Inc., a company listed on the Hong Kong Stock Exchange (stock code: 1860), since February 2021. Since April 2017, Mr. Wong has been a non-executive director of Yingde Gases Group Company Limited, a company previously listed on the Hong Kong Stock Exchange (stock code: 2168). Mr. Wong also served as an independent director of Tencent Music Entertainment Group, a company listed on the New York Stock Exchange (NYSE Ticker: TME), from July 2016 to September 2020. As director of the above-mentioned companies, Mr. Wong represents PAG, which is entitled to appoint a board director due to its investment in such companies.

Mr. Wong received a bachelor's degree in business administration and a bachelor's degree in Asian studies from University of California, Berkeley in May 1999.

Notwithstanding that Mr. Pan Pan (**潘攀**) and Mr. Wong Tak-wai (**黃德煒**) each holds management roles in other companies, as advised and confirmed by Mr. Pan and Mr. Wong, each of them has sufficient time to act as our non-executive Director based on the following:

- each of their roles as director of listed companies is non-executive in nature and each of them has not participated in the day-today operations of such listed companies. None of their respective current commitments as director of listed companies would require full time involvement;

- Mr. Pan's engagement as managing partner of Tiantu Capital Management Center LLP (深圳天圖資本管理中心(有限合夥)), which principally involves being in charge of overseeing general strategy of the venture capital division, is a high-level managerial role which does not consume his full time capacity as he is supported by a management team responsible for the day-to-day management of the venture capital division and devote substantially all of their time to the business, as well as other managing partners who are in charge of other divisions;

- Mr. Wong's engagement as managing director of PAG does not require full time involvement as the daily management and operations of the fund is carried out by the senior management team with members that are able to devote substantially all of their time to the respective businesses;

- each of them is fully aware of the responsibilities and expected time involvement for a non-executive director. None of them found difficulties in devoting their time to multiple companies and they are confident that with their experience in taking on multiple corporate roles, they will be able to discharge their duties to the Company;

- each of them attended most of the board meetings of the listed companies where they respectively serve as non-executive director and none of the listed companies that each of them holds directorship has questioned or complained about their time devoted to such listed companies; and

- each of them will not be involved in the daily management of our Group's business and their engagement as our non-executive Director will not require full-time participation.

Based on the foregoing, the Board does not have reason to believe that the management roles currently held by Mr. Pan and Mr. Wong will result in either of them having insufficient time to act as our non-executive Director or improperly discharge his fiduciary duties as a Director of our Company.

In addition, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Board will regularly review whether each of the Directors is devoting sufficient time and attention to the affairs of our Group including but not limited to the review of the attendance record of the Board meetings or Board committee meetings. Should there be concerns on the time commitments by the relevant Director(s) to our Group, the Board may request the relevant Director(s) to provide an update to the Board in relation to any changes with respect to his/her significant commitments.

Independent Non-executive Directors

Mr. Chen Qunsheng (陳群生), aged 43, has been appointed as our independent non-executive Director with effect from date of this Prospectus. Mr. Chen is the member of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee of Our Company.

Mr. Chen served as the executive director of Shanghai Xintiandi Commercial Management Co., Ltd. (上海新天地商業管理有限公司), an indirectly wholly-owned subsidiary of Shui On Land Limited, a company listed on the Hong Kong Stock Exchange (stock code: 272), from October 2017 to June 2020. Mr. Chen served as the deputy general manager of strategic management department of China Resources Land Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1109), from June 2015 to December 2015, and the deputy general manager of commercial property business from January 2016 to September 2017.

Mr. Chen received a bachelor's degree in economics from Wuhan University (武漢大學) in July 2000.

Mr. Liu Yiwei (劉異偉), aged 49, has been appointed as our independent non-executive Director with effect from date of this Prospectus. Mr. Liu is the chairperson of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee of Our Company.

Mr. Liu has served as the director and deputy general manager of Shenzhen Yingtai Investment Management Co., Ltd. (深圳盈泰投資管理有限公司) since January 2008 and the director of Langold Real Estate Co., Ltd. (南國置業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002305), since August 2014.

Mr. Liu received a diploma in labor and personnel major from Communication University of China (中國傳媒大學, formerly known as Beijing Coal Management Cadre College (北京煤炭管理幹部學院)) in July 1991 and a master's degree in monetary banking from Graduate School of Chinese Academy Of Social Sciences (中國社會科學院研究生院) in April 1998.

Mr. Liu obtained the qualifications of Securities Practitioner (證券從業人員) in June 2004 and Futures Practitioner (期貨從業人員) in January 2003, respectively.

Ms. Zhang Rui (張蕊), aged 58, has been appointed as our independent non-executive Director with effect from date of this Prospectus. Ms. Zhang is the chairperson of the Audit Committee of Our Company.

Since September 1984, Ms. Zhang has been with Jiangxi University of Finance and Economics (江西財經大學, formerly known as Jiangxi Institute of Finance and Economics (江西財經學院)), where she successively served as a teacher in department of finance and accounting, the head of the teaching and research section for auditing of department of finance and accounting, a deputy head of department of finance and accounting, the dean of faculty of accounting and a director of research and development center for accounting development.

Ms. Zhang has been an independent director of Shenzhen Aisidi Co., Ltd. (深圳市愛施德股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002416), since October 2019. Ms. Zhang has been an independent director of Jiangxi Fushine Pharmaceutical Co., Ltd. (江西富祥藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300497), since March 2019. Ms. Zhang has been an independent director of Changhong Huayi Compressor Co., Ltd. (長虹華意壓縮機股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000404), since April 2016. Ms. Zhang has been an independent non-executive director of Jiangxi Bank Co., Ltd. (江西銀行股份有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 1916), since March 2016.

Ms. Zhang received a bachelor's degree in commercial finance and accounting from Jiangxi Institute of Finance and Economics in July 1984, a master's degree in accounting from Jiangxi Institute of Finance and Economics in July 1990 and a doctorate degree in accounting from Zhongnan University of Economics and Law (中南財經政法大學) in December 2001.

Ms. Zhang has been an expert entitled to special allowance granted by the State Council since August 2005. She also obtained a certificate of Star Teacher in Higher Education Institutions ("高等學校教學名師獎") issued by the Ministry of Education of the People's Republic of China in September 2009. Ms. Zhang was accredited as a professor by Jiangxi Title Reform Committee (江西省職稱改革領導小組) in March 1999.

See "Appendix IV – Statutory and General Information" in this Prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO).

Nothing has come to the Joint Sponsors' attention that caused them to question the competency of our independent non-executive Directors. In particular, notwithstanding that our independent non-executive Directors do not have direct experience in the PRC's food and beverage industry, their previous work experience and academic and professional qualifications, as illustrated in their respective biographies above, allow them to complement the skills and experience of our executive Directors, and provide opinions and judgement from an independent and external dimension to the Board based on their skills, knowledge, experience and insight from other businesses and sectors. Further, all our independent non-executive Directors have prior work experiences in either Hong Kong listed companies or PRC listed companies, and hence have obtained the relevant corporate governance experience to help ensure that the Group has adopted a good corporate governance practice commensurate with other listed companies. Furthermore, our independent non-executive Directors have received training prior to the Listing from our Hong Kong legal advisors with respect to their roles and responsibilities as our Directors, the Listing Rules and other regulatory and corporate governance requirements, and will receive ongoing training from time to time after the Listing so as to ensure that our independent non-executive Directors can meet the standard of competence commensurate with their position as directors of a listed issuer.

Save as disclosed in this section, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, as of the Latest Practicable Date, there were no other matters in respect of each of our Directors which are required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there were no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company.

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as the senior management
Mr. Zhao Lin (趙林)	42	Executive Director, Chairman of the Board and Chief Executive Officer	Responsible for overall strategic planning and business direction of our Group and overseeing management of our business	May 12, 2014	February 5, 2021
Ms. Peng Xin (彭心) (former name: Peng Xin (彭鑫))	33	Executive Director and General Manager	Responsible for overseeing product development, quality control and overall marketing strategy of our Group	May 12, 2014	February 5, 2021

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as the senior management
Mr. He Gang (何剛)	45	Chief Technology Officer	Responsible for the digitalization strategy and overseeing management of information technology of our Group	June 1, 2020	February 5, 2021
Mr. Deng Bin (鄧彬)	39	Executive Director and Chief Operation Officer	Responsible for overseeing operations of our Group	August 1, 2016	February 5, 2021
Mr. Chen E (陳鄂)	38	Chief Marketing Officer	Responsible for the branding, marketing and promotion of the business of our Group	January 12, 2021	February 5, 2021
Ms. Chen Shengyu (陳聖鈺)	43	Senior Human Resources Director	Responsible for the management of human resources and administrative matters	September 7, 2017	February 5, 2021
Mr. Shen Hao (申昊)	32	Co-Chief Financial Officer, General Counsel and Board Secretary	Responsible for the capital market and legal matters of our Group	July 29, 2019	February 5, 2021
Mr. Liang Feiyan (梁飛燕)	38	Co-Chief Financial Officer	Responsible for overseeing financial operations and capital management of our Group	October 8, 2019	February 5, 2021

Mr. Zhao Lin (趙林), aged 42, is our Chairman of the Board, executive Director and Chief Executive Officer. Please see his biography under the part headed "Directors – Executive Directors" in this section.

Ms. Peng Xin (彭心) (with former name as Peng Xin (彭鑫)), aged 33, is our executive Director and General Manager. Please see her biography under the part headed "Directors – Executive Directors" in this section.

Mr. He Gang (何剛), aged 45, is our Chief Technology Officer and joined our Group in June 2020. Mr. He is responsible for the digitalization strategy and overseeing management of information technology of our Group.

Prior to joining our Group, Mr. He served as chief technology officer of Luckin Coffee Inc., a company previously listed on the NASDAQ (NASDAQ Ticker: LK), from September 2019 to April 2020; and vice president of JD.com, Inc., a company listed on the NASDAQ (NASDAQ Ticker: JD) and the Hong Kong Stock Exchange (stock code: 9618), from April 2012 to July 2019. As confirmed by Mr. He and to the best of the Directors' knowledge, having made all reasonable enquiries, Mr. He has not been involved in the matters leading to the delisting of Luckin Coffee Inc. from the NASDAQ and there has been no investigation, prosecution, litigation or disciplinary action from any regulatory authorities or industry regulators against Mr. He in relation to such matters concerning Luckin Coffee Inc..

Mr. He received a bachelor's degree in theoretical physics from University of Science and Technology of China (中國科技大學) in July 1996 and master degrees in computer sciences and physics from University of Wisconsin-Madison in December 1998.

Mr. Deng Bin (鄧彬), aged 39, is our executive Director and Chief Operation Officer. Please see his biography under the part headed "Directors – Executive Directors" in this section.

Mr. Chen E (陳鄂), aged 38, is our Chief Marketing Officer and joined our Group in January 2021. Mr. Chen is responsible for the branding, marketing and promotion of the business of our Group.

Prior to joining our Group, Mr. Chen worked at Guangdong Jinri Toutiao Technology Co., Ltd. (廣東今日頭條科技有限公司) from November 2018 to December 2020 and was mainly responsible for the commercialization operation in the department of domestic sales business platform.

Mr. Chen received a bachelor's degree in advertising from Wuhan University (武漢大學) in June 2006.

Ms. Chen Shengyu (陳聖鈺), aged 43, is our Senior Human Resources Director and joined our Group in September 2017. Ms. Chen is responsible for the management of human resources and administrative matters.

Prior to joining our Group, Ms. Chen served as human resources director of Guangzhou Jiumaojiu Restaurant Management Co., Ltd. (廣州九毛九餐飲管理有限公司) from April 2014 to December 2016. Ms. Chen served as a human resources supervisor of Guangdong Sanyuan McDonald's Food Co., Ltd. (廣東三元麥當勞食品有限責任公司) from June 2004 to August 2009 and a human resources manager from August 2009 to April 2014.

Ms. Chen received a diploma in economics from Guangdong Ocean University (廣東海洋大學, formerly known as Zhanjiang Ocean University (湛江海洋大學)) in June 2000. Ms. Chen received a bachelor's degree in human resources from South China Normal University (華南師範大學) through the completion of the adult higher education program in January 2013.

Ms. Chen obtained the professional qualification of senior human resources management specialist (高級人力資源管理師) from the Ministry of Human Resources and Social Security of the PRC in March 2018.

Mr. Shen Hao (申昊), aged 32, is our Co-Chief Financial Officer, General Counsel and Board Secretary. Mr. Shen joined our Group in July 2019 and is responsible for the capital market and legal matters of our Group.

Prior to joining our Group, Mr. Shen worked at SZ DJI Technology Co., Ltd. (深圳市大疆創新科技有限公司) from June 2013 to June 2019, where he served as legal manager and head of legal department from June 2013 to June 2016 and the head of legal department and corporate development department from July 2016 to June 2019. Mr. Shen also served as a director of Victor Hasselblad AB from November 2017 to May 2019 and a director of Koenigsegg AB from May 2017 to May 2019.

Mr. Shen received a bachelor's degree in law from Shenzhen University (深圳大學) in June 2010 and a master's degree in international economic law from The Chinese University of Hong Kong in November 2012.

Mr. Liang Feiyan (梁飛燕), aged 38, is our Co-Chief Financial Officer and joined our Group in October 2019. Mr. Liang is responsible for overseeing financial operations and capital management of our Group.

Prior to joining our Group, Mr. Liang worked at Meten Education (Shenzhen) Co., Ltd. (美聯教育(深圳)有限公司) from October 2011 to August 2019, where he lastly served as co-financial officer.

Mr. Liang received a bachelor's degree in accounting from Shandong Agricultural University (山東農業大學) in July 2006.

Save as disclosed above, none of our Directors and members of senior management is related to other Directors and members of the senior management.

Save as disclosed above, during our Track Record Period, none of our Directors and members of senior management held any directorship in any public companies, the shares of which are listed in Hong Kong or overseas stock markets.

JOINT COMPANY SECRETARY

Ms. Shi Chao (史超) was appointed as one of our joint company secretaries on February 5, 2021. Ms. Shi joined our Group in January 2019 and has served as the deputy director of corporate finance and legal department. Ms. Shi worked at Baoneng Department Store Limited (寶能百貨零售有限公司) from November 2017 to January 2019, where she lastly served as the senior legal manager. Ms. Shi worked at Wal-Mart (China) Investment Co., Ltd. (沃爾瑪(中國)投資有限公司) from February 2014 to November 2017, where she lastly served as the legal consultant.

Ms. Shi received a bachelor's degree in law and economics from Minzu University of China (中央民族大學) in July 2007 and a master's degree in economic law from Minzu University of China in July 2012. Ms. Shi also received a postgraduate diploma in international and European law from Université Jean Moulin Lyon 3 in March 2012. Ms. Shi passed the National Judicial Examination (國家司法考試) in the PRC and obtained her legal professional qualification in March 2010. Ms. Shi also received the Certification of Fund Practice Qualification (基金從業資格證書) from the Asset Management Association of China (中國證券投資基金業協會) in July 2017.

Ms. Lau Jeanie (劉准羽), was appointed as a company secretary of our Company on June 11, 2021. Ms. Lau is an Assistant Vice President of Corporate Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited. She is an associate member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England and The Hong Kong Institute of Chartered Secretaries. She has over 15 years of experience in corporate secretarial practice. She has been providing corporate services to companies overseas and in Hong Kong. Ms. Lau had been a company secretary of various listed companies on the Main Board of the Stock Exchange over the last 10 years.

Our Company was granted a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Shi may be appointed as a joint company secretary of our Company, on the condition that the waiver can be revoked if there are material breaches of the Listing Rules by our Company.

COMMITTEES UNDER THE BOARD OF DIRECTORS

We have established the following committees in our Board of Directors: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with the terms of reference established by our Board of Directors.

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to manage relationship with the Company's auditors, review financial information of the Company and oversee the Company's financial reporting system and internal control procedures. The Audit Committee comprises three independent non-executive Directors, namely Ms. Zhang Rui, Mr. Liu Yiwei and Mr. Chen Qunsheng. Ms. Zhang Rui, being the chairperson of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The Remuneration Committee comprises one executive Director, namely Mr. Zhao Lin, and two independent non-executive Directors, namely Mr. Liu Yiwei and Mr. Chen Qunsheng. Mr. Liu Yiwei is the chairperson of the committee.

Nomination Committee

We have established a nomination committee in compliance with the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations to the Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director, namely Mr. Zhao Lin, and two independent non-executive Directors, namely Mr. Liu Yiwei and Mr. Chen Qunsheng. Mr. Zhao Lin is the chairperson of the committee.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Pursuant to A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Zhao has served as a director of Shenzhen Pindao Management from February 2017 to October 2020 and Director of our Company since June 2020. He is the founder of the Group and has extensive experience in the business operations and management of our Group. Our Directors believe that it is beneficial to the business operations and management of the Group that Mr. Zhao serves as both the Chairman of the Board and the Chief Executive Officer of the Company. This structure will enable our Company to make and implement decisions promptly and effectively. Our Directors consider that the balance of power and authority will not be impaired due to this arrangement. In addition, all major decisions are made in consultation with members of the Board, including the relevant Board committees, and three independent non-executive Directors. For further information relating to our Company's corporate governance measures, please see the section headed "Relationship with the Controlling Shareholders – Corporate Governance Measures" of this Prospectus.

Save as disclosed above, our Directors consider that upon Listing, we will comply with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to our Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board currently consists of two female Directors and seven male Directors with a balanced mix of knowledge and skills, including but not limited to overall management and strategic development, finance, accounting and risk management, as well as professional experiences in investment and food and beverage industry. The Board of Directors are of the view that our Board satisfies the Board Diversity Policy.

The Nomination Committee is responsible for reviewing the diversity of the Board. After Listing, the Nomination Committee will monitor and evaluate the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Nomination Committee will also include in successive annual reports a summary of the Board Diversity Policy, including any measurable objectives set for implementing the Board Diversity Policy and the progress on achieving these objectives.

DIRECTORS' REMUNERATION

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonus) for our Directors for the years ended December 31, 2018, 2019 and 2020 was approximately RMB2.0 million, RMB1.8 million and RMB33.8 million. None of our Directors waived any remuneration during the aforesaid periods.

For the years ended December 31, 2018, 2019 and 2020, the five highest paid individuals of our Group included three, one and two Director(s), respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the relevant Directors set out above. Among such five highest paid individuals excluding our Directors, for the years ended December 31, 2018, 2019 and 2020, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the remaining two, four and three individuals were approximately RMB1.5 million, RMB2.8 million and RMB8.2 million, respectively. For further details on the remuneration of the five highest paid individuals during the Track Record Period, see Note 9 of the Accountant's Report in Appendix I of this Prospectus. Save as disclosed above and in the Accountant's Report in Appendix I, no other payments have been paid or are payable, in respect of the years ended December 31, 2018, 2019 and 2020 by our Company to our Directors or senior management.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

For details of the Equity Incentive Plans, to which our Directors and senior management are eligible, please refer to the section headed "Appendix IV – Statutory and General Information – D. Equity Incentive Plans" in this Prospectus.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The compliance advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the proceeds of the Listing in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this Prospectus; and

(d) where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

COMPETITION

Mr. Pan Pan (潘攀) is a director of Hunan Chayue Cultural Industry Development Group Co., Ltd. (湖南茶悦文化產業發展集團有限公司) ("**Chayue**"), a tea drinks provider in China. We are of the view that the business of Chayue competes or is likely to compete, either directly or indirectly, with our business.

As of the Latest Practicable Date, Chayue is held as to approximately 16.16% by Tiantu Dongfeng, which is ultimately controlled by Mr. Lv Liang (呂良) and Ms. Sun Cuiying (孫翠英). As confirmed by Tiantu Dongfeng, Mr. Lv Liang (呂良) and Ms. Sun Cuiying (孫翠英) are a married couple who co-founded Chayue. Mr. Pan represents Tiantu Dongfeng, which is entitled to appoint a director to the board of Chayue due to its investment in the company, on the board of Chayue. Mr. Pan's role in Chayue is non-executive in nature and he has not assumed any day-to-day management responsibilities since the commencement of his term of directorship at Chayue. Furthermore, Mr. Pan represents Tiantu Entities on our Board and his role is also non-executive in nature. He has not participated in our Group's day-to-day management since joining our Group. Furthermore, Chayue is a tea drinks provider operating mainly in Changsha, Hunan Province, while our Group has an extensive network of teahouses across China. In addition to geographical coverage, the price ranges, store locations and product offerings of our flagship premium modern teahouse brand *Nayuki* and Chayue are different. As of the Latest Practicable Date, the approximate average list price of our *Nayuki* products is RMB27, with the store locations in or near premium properties. Chayue is a freshly-made tea shop brand with an average selling price lower than RMB20 mainly operating stand-alone street stores. We provide a wide variety of products including handcrafted baked goods and other lifestyle products, while Chayue's products are generally limited to tea products. As such, our Directors are of the view that the the competing interest disclosed above is unlikely to give rise to any material conflict of interest.

Save as disclosed above, each of our executive and non-executive Directors confirms that as of the Latest Practicable Date, he did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the following persons will have interests or short positions in our Shares or our underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares as of the Latest Practicable Date	Approximate percentage of voting rights in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of interest in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)
Mr. Zhao[(1)(2)(3)(4)]	Beneficial interest; interest in controlled corporation; interest of spouse	1,098,570,966	64.05%	62.64%
Ms. Peng[(1)(2)(3)(4)]	Beneficial interest; interest in controlled corporation; interest of spouse; executor or administrator	1,098,570,966	64.05%	62.64%
Linxin Group[(1)]	Beneficial interest	977,344,414	56.98%	55.73%
Linxin International[(1)]	Interest in controlled corporation	977,344,414	56.98%	55.73%
Linxin Holdings[(1)]	Beneficiary of a trust	977,344,414	56.98%	55.73%
Forth Wisdom Limited[(3)]	Beneficial interest	91,731,408	5.35%	5.23%
Zedra Holdings (Cayman) Limited[(3)]	Trustee	91,731,408	5.35%	5.23%

Name of Shareholder	Capacity/Nature of Interest	Number of Shares as of the Latest Practicable Date	Approximate percentage of voting rights in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)	Approximate percentage of interest in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)
Shenzhen Tiantu Capital Management Center (Limited Partnership) (深圳天圖資本管理中心(有限合夥)) ("**Shenzhen Tiantu Capital**")(5)	Interest in controlled corporation	190,184,497	11.09%	10.84%
Tian Tu Capital Co., Ltd. (NEEQ stock code: 833979) (深圳市天圖投資管理股份有限公司)(5)	Interest in controlled corporation	190,184,497	11.09%	10.84%
Mr. Wang Yong Hua (王永華) ("**Mr. Wang**")(6)	Interest in controlled corporation	190,184,497	11.09%	10.84%

Notes:

(1) Linxin Group, a company incorporated in the BVI on December 29, 2020, is a holding company wholly-owned by Linxin International, a holding company incorporated in the BVI, which is in turn wholly-owned by Linxin Trust. Linxin Trust is an irrevocable discretionary trust established in Guernsey on December 30, 2020, the beneficiary of which is Linxin Holdings, a holding company ultimately controlled as to 50% by each of Mr. Zhao and Ms. Peng, respectively. The voting rights in the Company held by Linxin Group are exercised by Mr. Zhao and Ms. Peng, a married couple. Accordingly, each of Mr. Zhao and Ms. Peng is deemed to be interested in the total number of Shares held by Linxin Group.

(2) Ms. Peng is the spouse of Mr. Zhao and is therefore deemed to be interested in the Shares held by Mr. Zhao. Moreover, each of Mr. Zhao and Ms. Peng has been granted options with respect to 220,781 outstanding Shares under the 2020 Share Option Plan. These Shares are currently held by Forth Wisdom Limited (see note (3) below). For details, please refer to the section headed "Appendix IV – Statutory and General Information – D. Equity Incentive Plans – 1. Share Option Plan" in this Prospectus.

(3) Forth Wisdom Limited, a company incorporated under the Laws of the British Virgin Islands, is our Company's offshore employee incentive platform for the Equity Incentive Plans. Forth Wisdom Limited is wholly-owned by Zedra Holdings (Cayman) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Forth Wisdom Limited are exercised by Mr. Zhao and Ms. Peng.

(4) Crystal Tide Profits Limited, a company incorporated under the Laws of the British Virgin Islands, is a platform holding Shares for future benefit to employees, advisors and consultants as the Board deems fit. Crystal Tide Profits Limited is wholly-owned by Trident Trust Company (HK) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Crystal Tide Profits Limited are exercised by Ms. Peng.

(5) Tiantu Xingli, an investment holding vehicle directly holding 66,670,287 Series A Preferred Shares of our Company as of the Latest Practicable Date, is directly owned as to 85.71% by Beijing Tiantu. Shenzhen Tiantu Capital is the general partner of Tiantu Xingli. Accordingly, Beijing Tiantu and Shenzhen Tiantu Capital are each deemed to have an interest in all of the Series A Preferred Shares held by Tiantu Xingli.

Chengdu Tiantu, an investment holding vehicle directly holding 44,439,713 Series A Preferred Shares and 12,620,749 Series A+ Preferred Shares of our Company as of the Latest Practicable Date, is directly owned as to 46.67% by Shantou Dongfeng Printing Co., Ltd. (汕頭東風印刷股份有限公司) (the Shenzhen Stock Exchange stock code: 601515), 26.67% by Chengdu Tianfu Innovation Equity Investment Fund Centre (Limited Partnership) (成都天府創新股權投資基金中心(有限合夥)), 10.00% by Shenzhen Yaoyin Information Advisory Partnership Enterprise (General Partnership) (深圳曜盈信息諮詢合夥企業(普通合夥)), 5.00% by Mr. Yuan Jin Hua (袁錦華), 5.00% by Shenzhen Tiantu Capital, 3.33% by Shenzhen Iread Foundation (深圳市愛閲公益基金會), and 3.33% by Shantou Dongfeng Consumer Goods Industry Co., Ltd. (汕頭東峰消費品產業有限公司). Shenzhen Tiantu Capital is the general partner of Chengdu Tiantu. Accordingly, Shenzhen Tiantu Capital is deemed to have an interest in all of the Series A Preferred Shares and Series A+ Preferred Shares held by Chengdu Tiantu.

Tiantu Xingpeng, an investment holding vehicle directly holding 33,227,189 Series B-1 Preferred Shares of our Company as of the Latest Practicable Date, is directly owned as to 20.00% by Shenzhen Government Guiding Fund-of-funds Co., Ltd. (深圳市引導基金投資有限公司), 14.00% by China Merchants Securities Asset Management Co., Ltd. (招商證券資產管理有限公司), 13.72% by Shenzhen Tiantu Xing An Investment Fund (Limited Partnership) (深圳天圖興安投資企業(有限合夥)), 10.00% by ICBC (Shenzhen) Equity Investment Fund Partnership Enterprise (Limited Partnership) (工銀(深圳)股權投資基金合夥企業(有限合夥)), 10.00% by Xing Ye Wealth and Asset Management Co., Ltd. (興業財富資產管理有限公司), 10.00% by Shenzhen Fu Tian Government Guiding Fund-of-funds Co., Ltd. (深圳市福田引導基金投資有限公司), 6.00% by Qianhai Equity Investment Fund (Limited Partnership) (前海股權投資基金(有限合夥)), 6.00% by Greatwall Life Insurance Co., Ltd. (長城人壽保險股份有限公司), 3.00% by Wuxi Construction Finance Industry Co., Ltd. (無錫市建融實業有限公司), 2.00% by Shenzhen Tiantu Xingfu Equity Investment Management Co., Ltd. ("**Tiantu Xingfu**") (深圳天圖興福股權投資管理有限公司), 2.00% by Shenzhen Kun Peng Equity Investment Co., Ltd. (深圳市鯤鵬股權投資有限公司), 1.90% by Bosera Capital Management Co., Ltd. (博時資本管理有限公司) and 1.38% by Southern Capital Management Co., Ltd. (南方資本管理有限公司). Tiantu Xingfu, which is wholly-owned by Shenzhen Tiantu Capital, is the general partner of Tiantu Xingpeng. Accordingly, Shenzhen Tiantu Capital and Tiantu Xingfu are deemed to have an interest in all of the Series B-1 Preferred Shares held by Tiantu Xingpeng.

Tiantu Xingnan, an investment holding vehicle directly holding 19,936,188 Series B-1 Preferred Shares of our Company as of the Latest Practicable Date, is directly owned as to 39.50% by Shenzhen Tiantu Xing An Investment Fund (Limited Partnership) (深圳天圖興安投資企業(有限合夥)), 25.00% by Hubei Chu Si Fang Da Investment Co., Ltd. (湖北楚思方達投資有限公司), 25.00% by Shenzhen Government Guiding Fund-of-funds Co., Ltd. (深圳市引導基金投資有限公司), 10.00% by CMB Cigna Life Insurance Co., Ltd. (招商信諾人壽保險有限公司) and 0.50% by Shenzhen Tiantu Capital. Shenzhen Tiantu Capital is the general partner of Tiantu Xingnan. Accordingly, Shenzhen Tiantu Capital is deemed to have an interest in all of the Series B-1 Preferred Shares held by Tiantu Xingnan.

Tiantu Dongfeng, an investment holding vehicle directly holding 13,290,371 Series B-1 Preferred Shares of our Company as of the Latest Practicable Date, is directly owned as to 41.67% by Shenzhen Tiantu Dongfeng Investment Advisory Centre (Limited Partnership) (深圳天圖東峰投資諮詢中心(有限合夥)), 29.17% by Shenzhen Government Guiding Fund-of-funds Co., Ltd. (深圳市引導基金投資有限公司), 16.67% by CICC Qi Yuan National Rising Industry Entrepreneurship Investment Guiding Fund (Limited Partnership) (中金啟元國家新興產業創業投資引導基金(有限合夥)), 11.67% by Shenzhen Qian Hai Industry Guiding Equity Investment Fund Co., Ltd. (深圳市前海產業引導股權投資基金有限公司) and 0.83% by Shenzhen Tiantu Capital. Shenzhen Tiantu Capital is the general partner of Tiantu Dongfeng. Accordingly, Shenzhen Tiantu Capital is deemed to have an interest in all of the Series B-1 Preferred Shares held by Tiantu Dongfeng.

Each Series A Preferred Share, Series A+ Preferred Share, Series B-1 Preferred Share, Series B-2 Preferred Share and Series C Preferred Share of the Company shall automatically be converted into Shares of the Company at the then effective applicable conversion prices immediately prior to the completion of the Global Offering. Shenzhen Tiantu Capital is wholly-owned by Tian Tu Capital Co., Ltd. ("**Tian Tu Capital**"; NEEQ stock code: 833979). Accordingly, upon the completion of the Global Offering, Tian Tu Capital Co., Ltd. (深圳市天圖投資管理股份有限公司) is deemed to be interested in the Shares held by each of Tiantu Xingli, Chengdu Tiantu, Tiantu Xingpeng, Tiantu Xingnan and Tiantu Dongfeng under the SFO. As such, Tian Tu Capital Co., Ltd. and Shenzhen Tiantu Capital are each deemed to be interested in an aggregate of 190,184,497 Shares of our Company.

(6) Mr. Wang directly holds 209,748,220 ordinary shares of Tian Tu Capital, representing approximately 40.35% of the total number of issued shares of Tian Tu Capital. Moreover, he is the general partner of Shenzhen Tian Tu Xing He Investment Enterprise (Limited Partnership) (深圳天圖興和投資企業(有限合夥)) and Shenzhen Tian Tu Xing Zhi Investment Enterprise (Limited Partnership) (深圳天圖興智投資企業(有限合夥)), each of which directly holds 8,750,000 ordinary shares of Tian Tu Capital, representing approximately 1.68% of the total number of issued shares of Tian Tu Capital. Hence, Mr. Wang is entitled to exercise or control the exercise of approximately 43.71% of the voting power at general meetings of Tian Tu Capital. Ms. Li Wen (李文) is the spouse of Mr. Wang.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company or any other member of our Group.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a "**Cornerstone Investment Agreement**", and together the "**Cornerstone Investment Agreements**") with the cornerstone investors set out below (each a "**Cornerstone Investor**", and together the "**Cornerstone Investors**"), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of US$155 million (or approximately HK$1,202 million) (calculated based on the conversion rate of US$1.00 to HK$7.7598) (the "**Cornerstone Placing**").

Assuming an Offer Price of HK$17.20, being the low-end of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 69,881,000 Offer Shares, representing approximately 27.16% of the Offer Shares pursuant to the Global Offering and approximately 4.07% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Equity Incentive Plans).

Assuming an Offer Price of HK$18.50, being the mid-point of the indicative Offer Price range set out in this Prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investor would be 64,971,000 Offer Shares, representing approximately 25.25% of the Offer Shares pursuant to the Global Offering and approximately 3.79% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Equity Incentive Plans).

Assuming an Offer Price of HK$19.80, being the high-end of the indicative Offer Price range set out in this Prospectus, the total number of Shares to be subscribed by the Cornerstone Investor would be 60,705,000 Offer Shares, representing approximately 23.60% of the Offer Shares pursuant to the Global Offering and approximately 3.54% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no additional Shares are issued pursuant to the Equity Incentive Plans).

The Company is of the view that, the Cornerstone Placing will help to raise the profile of the Company and to signify that such investors have confidence in the business and prospect of the Group. Our Company became acquainted with each of the Cornerstone Investors through introduction by certain Underwriters in the Global Offering.

To the best knowledge of our Company, (i) each of the Cornerstone Investors is an Independent Third Party and is not our connected person; (ii) none of the Cornerstone Investors is accustomed to take instructions from our Company, the Directors, chief executive, Controlling Shareholders, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares; (iii) none of the subscription of the relevant Offer Shares by any of the Cornerstone Investors is financed by our Company, the Directors, chief executive, Controlling Shareholders, Substantial Shareholders, existing Shareholders or any of its subsidiaries or their respective close associates; and (iv) each Cornerstone Investor will be utilizing either (a) their proprietary funding or (b) the proprietary funding of the funds under their or their fund managers' management, as appropriate, as their source of funding for the subscription of the Offer Shares. Details of the actual number of the Offer Shares to be allocated to each of the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by the Company on or around June 29, 2021.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respect with the fully paid Shares in issue and will be counted towards the public float of the Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any Board representation in the Company; and none of the Cornerstone Investors will become a Substantial Shareholder of the Company. The Cornerstone Investors do not have any preferential rights under the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

There are no side arrangements between the Company and the Cornerstone Investors or any benefit, direct or indirect, conferred on the Cornerstone Investors by virtue of or in relation to the Cornerstone Placing. There will be no delayed delivery or deferred settlement of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Investment Agreements.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed "Structure of the Global Offering – The Hong Kong Public Offering – Reallocation" in this Prospectus.

THE CORNERSTONE INVESTORS

Set out below is the aggregate number of Offer Shares, and the corresponding percentage to our Company's total issued share capital under the Cornerstone Placing.

Based on the Offer Price of HK$17.20 (being the low-end of the Offer Price range)

Cornerstone Investor	Investment Amount *(US$ in million)*[1]	Number of Offer Shares (rounded down to nearest whole board lot of 500 Shares)	Approximate % of total number of Offer Shares: Assuming the Over-allotment Option is not exercised	Approximate % of total number of Offer Shares: Assuming the Over-allotment Option is exercised in full	Approximate % of total Shares in issue immediately following the completion of Global Offering: Assuming the Over-allotment Option is not exercised	Approximate % of total Shares in issue immediately following the completion of Global Offering: Assuming the Over-allotment Option is exercised in full
UBS Funds	50	22,557,000	8.77%	7.62%	1.32%	1.29%
CUAM	45	20,301,500	7.89%	6.86%	1.18%	1.16%
GF Fund	30	13,534,000	5.26%	4.57%	0.79%	0.77%
China Southern	20	9,022,500	3.51%	3.05%	0.53%	0.51%
Grand Rejuvenation	10	4,466,000	1.74%	1.51%	0.26%	0.25%
Total	155	69,881,000	27.16%	23.62%	4.07%	3.98%

Note:

1. To be converted to Hong Kong dollars based on the exchange rate disclosed in this Prospectus.

Based on the Offer Price of HK$18.50 (being the mid-point of the Offer Price range)

Cornerstone Investor	Investment Amount *(US$ in million)*[1]	Number of Offer Shares (rounded down to nearest whole board lot of 500 Shares)	Approximate % of total number of Offer Shares — Assuming the Over-allotment Option is not exercised	Approximate % of total number of Offer Shares — Assuming the Over-allotment Option is exercised in full	Approximate % of total Shares in issue immediately following the completion of Global Offering — Assuming the Over-allotment Option is not exercised	Approximate % of total Shares in issue immediately following the completion of Global Offering — Assuming the Over-allotment Option is exercised in full
UBS Funds	50	20,972,000	8.15%	7.09%	1.22%	1.20%
CUAM	45	18,875,000	7.34%	6.38%	1.10%	1.08%
GF Fund	30	12,583,000	4.89%	4.25%	0.73%	0.72%
China Southern	20	8,388,500	3.26%	2.84%	0.49%	0.48%
Grand Rejuvenation	10	4,152,500	1.61%	1.40%	0.24%	0.24%
Total	155	64,971,000	25.25%	21.96%	3.79%	3.70%

Note:

1. To be converted to Hong Kong dollars based on the exchange rate disclosed in this Prospectus.

Based on the Offer Price of HK$19.80 (being the high-end of the Offer Price range)

Cornerstone Investor	Investment Amount *(US$ in million)*[1]	Number of Offer Shares (rounded down to nearest whole board lot of 500 Shares)	Approximate % of total number of Offer Shares: Assuming the Over-allotment Option is not exercised	Approximate % of total number of Offer Shares: Assuming the Over-allotment Option is exercised in full	Approximately % of total Shares in issue immediately following the completion of Global Offering: Assuming the Over-allotment Option is not exercised	Approximately % of total Shares in issue immediately following the completion of Global Offering: Assuming the Over-allotment Option is exercised in full
UBS Funds	50	19,595,000	7.62%	6.62%	1.14%	1.12%
CUAM	45	17,635,500	6.85%	5.96%	1.03%	1.01%
GF Fund	30	11,757,000	4.57%	3.97%	0.69%	0.67%
China Southern	20	7,838,000	3.05%	2.65%	0.46%	0.45%
Grand Rejuvenation	10	3,879,500	1.51%	1.31%	0.23%	0.22%
Total	155	60,705,000	23.60%	20.52%	3.54%	3.46%

Note:

1. To be converted to Hong Kong dollars based on the exchange rate disclosed in this Prospectus.

The following information about the Cornerstone Investors was provided to the Company by the Cornerstone Investors in relation to the Cornerstone Placing.

1. UBS Funds

UBS Asset Management (Singapore) Ltd. ("**UBS AM Singapore**"), a company incorporated in Singapore in December 1993, has entered into a cornerstone investment agreement with our Company and the Joint Sponsors, in its capacity as delegate of the investment manager to each of the following funds: UBS (LUX) EQUITY FUND – GREATER CHINA, UBS (LUX) EQUITY FUND – CHINA OPPORTUNITY, UBS (HK) FUND SERIES – CHINA OPPORTUNITY EQUITY (USD), UBS (CAY) INVESTMENT FUND SPC – UBS CHINA EQUITY SELECT CHERRY SEGREGATED PORTFOLIO II, UBS (LUX) EQUITY SICAV – ALL CHINA (USD), UBS (LUX) KEY SELECTION SICAV – CHINA EQUITY LONG SHORT (USD) and UBS (LUX) KEY SELECTION SICAV – CHINA ALLOCATION OPPORTUNITY (together the "**UBS Funds**").

UBS AM Singapore is a wholly owned subsidiary of UBS Asset Management AG ("**UBS Asset Management**"), an investment management company, which is wholly ultimately owned by UBS Group AG, which is a company organized under Swiss law as a corporation that has issued shares of common stock to investors. UBS Group AG's shares are listed on the SIX Swiss Exchange (stock code: UBSG) and the New York Stock Exchange (stock code: UBS). UBS Asset Management is a business division of UBS Group AG and is operated as a dedicated asset management business with independence in all investment decision making. UBS Asset Management is a global large-scale and diversified asset manager, with a presence in 23 markets. UBS Asset Management offers investment capabilities and styles across all major traditional and alternative asset classes as well as advisory support to institutions, wholesale intermediaries and its global wealth management clients. As at March 31, 2021, invested assets under management of UBS Asset Management globally totaled USD1.1 trillion. UBS AM Singapore's shareholders' and New York Stock Exchange's approval are not required for UBS AM Singapore's subscription for the Offer Shares.

2. CUAM

China Universal Asset Management Co., Ltd (匯添富基金管理股份有限公司) ("**CUAM**") is a joint stock company established in the PRC with limited liability on February 3, 2005 and is principally engaged in the business of fund and asset management covering areas such as mutual funds, segregated accounts, international business and pension funds. CUAM possesses all the licenses required to engage in fund management business in the securities industry in the PRC. As at December 31, 2020, the assets under management of CUAM exceeded US$170 billion. CUAM is owned by Orient Securities Co., Ltd (東方證券股份有限公司) ("**OSC**"), Shanghai Jingjujin Investment Management Partnership (上海菁聚金投資管理合夥企業) ("**Shanghai Jingjujin**"), Shanghai United Media Asset Management Co., Ltd (上海上報資產管理有限公司) ("**Shanghai United**") and CES Finance Holding Co., Ltd (東航金控有限責任公司) ("**CES**") as to 35.412%, 24.656%, 19.966% and 19.966%, respectively.

OSC is a public company dually listed on the Shanghai Stock Exchange (stock code: 600958) and the Hong Kong Stock Exchange (stock code: 3958) and is a professional and integrated financial service provider. To the best of our Directors' knowledge, information and belief after making reasonable enquires and as confirmed by OSC, it does not require any approval from the Shanghai Stock Exchange or the Hong Kong Stock Exchange, nor its shareholders, to indirectly invest in our Company.

Shanghai Jingjujin is an employee shareholding platform of CUAM. Shanghai Jingjujin is a limited partnership enterprise established in the PRC and is principally engaged in the business of investment management.

Shanghai United is a limited liability company established in the PRC and is a professional investment platform focusing on the investment in property and financial equity areas. Shanghai United is ultimately controlled by the Publicity Department of Shanghai Municipal Committee (上海市委員會宣傳部).

CES is a limited liability company established in the PRC and is an investment holding vehicle of China Eastern Airline Holding Company (中國東方航空集團有限公司) ("**CEAHC**") focusing on financial assets management and investment. CES is a wholly-owned subsidiary of CEACHC, which is in turn ultimately controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會), and is one of the three largest airline transportation service providers.

3. GF Fund

GF Fund Management Co., Ltd. (廣發基金管理有限公司) ("**GF Fund**"), headquartered in Guangzhou, PRC was established in the PRC in August 2003 upon approval of CSRC with registered capital of RMB140,978,000 funded by a group of reputable institutional investors. GF Fund has been granted with requisite licenses to provide comprehensive services in asset management containing mutual funds, specific customers' assets management (Discretionary Account), securities investment advisory, Qualified Domestic Institutional Investor (QDII) programs, insurance funds entrusted management and social security funds in the PRC. The controlling shareholder of GF Fund is GF Securities Company Limited (廣發證券股份有限公司), which holds 54.53% in GF Fund.

4. China Southern

China Southern Asset Management Co., Ltd. (南方基金管理有限公司) was established in the PRC on March 6, 1998 approved by the CSRC and was converted into a joint stock limited company under the name of China Southern Asset Management Co., Ltd. (南方基金管理股份有限公司) ("**China Southern**") on January 4, 2018. China Southern is headquartered in Shenzhen. As of March 31, 2021, China Southern had a total amount of assets under management ("**AUM**") of RMB1,434.9 billion on a consolidated basis, with China Southern itself having a total AUM of RMB1,297.2 billion, among the largest in the industry. China Southern manages 242 mutual funds with a total AUM of RMB885.7 billion and serves over

147 million clients. The shareholders of China Southern include (i) Huatai Securities Co., Ltd. (華泰證券股份有限公司, holding 41.16% in China Southern), which is listed on the Hong Kong Stock Exchange (Stock Code: 6886.HK), the Shanghai Stock Exchange (Stock Code: 601688.SH) and the London Stock Exchange (HTSC.UK), and (ii) Industrial Securities Co., Ltd. (興業證券股份有限公司, holding 9.15% in China Southern), which is listed on the Shanghai Stock Exchange (Stock Code: 601377.SH). Approval of the shareholders of each of Huatai Securities Co., Ltd. (華泰證券股份有限公司) and Industrial Securities Co., Ltd. (興業證券股份有限公司), the Hong Kong Stock Exchange, the Shanghai Stock Exchange or the London Stock Exchange is not required for the subscription for the Offer Shares pursuant to the relevant Cornerstone Investment Agreement.

5. *Grand Rejuvenation*

Grand Rejuvenation Premium Selection Fund SPC (乾元復興精選基金) ("**Grand Rejuvenation**") is an exempted company registered as a segregated portfolio company under the laws of the Cayman Islands with limited liability. Grand Rejuvenation has entered into a cornerstone investment agreement with our Company and the Joint Sponsors, on behalf of and for the account of CCBI Multi-Strategy SP ("**CCBI SP**"), a segregated portfolio of Grand Rejuvenation, which principally invests in shares listed on the Stock Exchange as well as A shares listed on the Shanghai/Shenzhen Stock Exchange. CCB International Asset Management Limited (建銀國際資產管理有限公司) is the manager of CCBI SP ("**CCBI SP Manager**"), which is a company incorporated in Hong Kong and licensed by the SFC to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. It is principally engaged in asset management and investment businesses, covering various sectors such as healthcare, consumer and retail, energy and transportation, information technology, media and real estate.

CCBI SP Manager is wholly-owned by CCB International (Holdings) Limited (建銀國際(控股)有限公司), which is in turn an indirect wholly-owned subsidiary of China Construction Bank Corporation (中國建設銀行股份有限公司). China Construction Bank Corporation is a joint stock company incorporated in the PRC with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00939) and Shanghai Stock Exchange (stock code: 601939).

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to acquire the Offer Shares under their respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement;

(ii) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(iii) the Stock Exchange having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(iv) the Offer Price having been agreed according to the Hong Kong Underwriting Agreement, the International Underwriting Agreement and the Price Determination Agreement to be signed among the parties to such agreements in connection with the Global Offering;

(v) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreements and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(vi) the respective representations, warranties, acknowledgements, undertakings and confirmations of each Cornerstone Investors under the respective Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the closing of the Cornerstone Investment Agreement) accurate and true in all respects and not misleading and that there is no breach of the Cornerstone Investment Agreements on the part of the Investors.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six months from the Listing Date (the "**Lock-up Period**"), dispose of any of the Offer Shares they have purchased pursuant to their respective Cornerstone Investment Agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

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 immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):

	Number of Shares	Aggregate nominal value of Shares
Authorized share capital as of the date of this Prospectus(1)	5,000,000,000	US$250,000
Shares in issue as of the date of this Prospectus (assuming the Series A Preferred Shares, Series A+ Preferred Shares, Series B-1 Preferred Shares, Series B-2 Preferred Shares and Series C Preferred Shares are converted into ordinary shares on a 1:1 basis(2))	1,457,857,147	US$72,892.86
Shares to be issued under the Global Offering	257,269,000	US$12,863.45
Shares in issue immediately following the Global Offering	1,715,126,147	US$85,756.31

Notes:

(1) The authorised share capital of our Company was US$250,000 divided into 5,000,000,000 shares of US$0.00005 each, of which 1,103,606,722 ordinary Shares, 111,110,000 Series A Preferred Shares, 25,250,768 Series A+ Preferred Shares, 66,453,748 Series B-1 Preferred Shares, 56,282,447 Series B-2 Preferred Shares and 95,153,462 Series C Preferred Shares are issued and fully paid up.

(2) Each Series A Preferred Share, Series A+ Preferred Share, Series B-1 Preferred Share, Series B-2 Preferred Share and Series C Preferred Share will be converted into ordinary share at the conversion ratio of 1:1 by way of redesignation immediately prior to the completion of the Global Offering.

Assumptions

The above table assumes that the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. The above table also does 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 Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this Prospectus, 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 Prospectus.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meetings are required

Upon completion of the Global Offering, our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association 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 share capital into shares of larger amount, (iii) subdivide its shares into shares of smaller amount; and (iv) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law – 2 Articles of Association – 2.1 Shares – (c) Alteration of capital" in Appendix III to this Prospectus for further details.

Employee incentives

We adopted the Equity Incentive Plans on May 15, 2020. Please see the section headed "Statutory and General Information – D. Equity Incentive Plans" in Appendix IV to this Prospectus for further details.

General mandate to issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

- 20% of the number of Shares in issue immediately following completion of the Global Offering; and

- the total number 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;

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information – A. Further Information about our Group – 3. Resolutions of our Shareholders" in Appendix IV to this Prospectus for further details of this general mandate to allot, issue and deal with Shares.

General mandate to repurchase Shares

Subject to the Global Offering 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 a total number of up to 10% of the total number of our Shares in issue immediately following the completion of the Global Offering.

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the 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 – 6. Repurchases of our Own Securities" in Appendix IV to this Prospectus.

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;

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information – A. Further Information about our Group – 3. Resolutions of our Shareholders" in Appendix IV to this Prospectus for further details of this general mandate to repurchase Shares.

The following discussion and our analysis should be read in conjunction with our combined financial statements included in the Accountant's Report in Appendix I, together with the accompanying notes. Our combined financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this prospectus, including but not limited to the sections headed "Risk Factors" and "Business."

For the purposes of this section, unless the context otherwise requires, references to 2018, 2019 and 2020 refer to our fiscal years ended December 31 of such years, respectively.

OVERVIEW

We operate *Nayuki* teahouses, a leading premium modern teahouse chain in China serving freshly-made tea drinks. Six years ago, our founders, inspired by Chinese tea culture and the global coffee chain concept, opened our first *Nayuki* teahouse in Shenzhen, China, with a desire to re-invigorate the tea-drinking experience for those who crave fresher, better tasting, and more accessible tea drinks. Today, our flagship brand, *Nayuki*, has become a recognized brand among China's young customers.

Through our self-operated premium modern teahouses, we have created a comfortable, upscale social space for our customers and communities to get together and enjoy. Our tea drinks can also be conveniently enjoyed on-the-go to accommodate the increasingly rapid pace of everyday life. Our *Nayuki* teahouse network has experienced a rapid expansion, with the number of *Nayuki* teahouses growing from 44 as of December 31, 2017 to 491 as of December 31, 2020, which include 489 *Nayuki* teahouses covering 66 cities across mainland China and one *Nayuki* teahouse in each of Hong Kong SAR and Japan. *Nayuki* had the most extensive premium modern teahouse network in China in terms of the number of cities covered as of December 31, 2020, according to CIC. In November 2020, we launched our new teahouse format, *Nayuki PRO*, with a goal to bring *Nayuki* closer to our customers' everyday life. With the debut of *Nayuki PRO*, we have successfully deployed an extensive network of *Nayuki* teahouses covering high-traffic locations such as premium premises in upscale shopping malls, office buildings and the centers of residential neighborhoods, thereby making our *Nayuki* products and experience more accessible by our customers, at their leisure or on their daily commute.

We are committed to product quality and innovation. According to CIC, we are the first in China to make freshly brewed tea drinks with fresh fruit and we have been promoting the concept of pairing freshly-made tea drinks with handcrafted freshly baked goods in China. Headed by our co-founder and General Manager, our product development team tirelessly refines our menu with new items. This has led to a core *Nayuki* menu of over 25 varieties of classic tea drinks and over 25 varieties of baked goods as of the Latest Practicable Date. To keep our offerings fresh, we also continuously refine our core menu, with approximately one new drink launched every week on average and approximately 60 seasonal products were introduced since 2018. Our tea drinks include fresh fruit teas, milk teas and pure teas – all freshly prepared using premium tea leaves and ingredients sourced from quality suppliers. We make most of our baked goods fresh within our teahouses every day to complement our tea drinks. In addition, we offer a wide selection of retail products, such as gift tea boxes, snacks and ready-to-drink tea beverages, catering to the diversified needs and preferences of our customers.

To make the *Nayuki* experience more convenient and personalized for our customers, we have introduced the *Nayuki* membership program and our *Nayuki* app, which are fully integrated with our *Nayuki* teahouse network. As of the Latest Practicable Date, we had approximately 35.3 million members registered with our *Nayuki* membership program. In 2020, approximately 49.0% of the total number of our *Nayuki* orders was contributed by our *Nayuki* members. Through our Weixin/WeChat and Alipay mini programs and *Nayuki* app, our customers can easily join our membership program, find the nearest *Nayuki* teahouse, and place delivery and pickup orders at their fingertips. In 2018, 2019 and 2020, approximately 4.4%, 12.5% and 22.9% of *Nayuki* orders, respectively, were delivery orders placed by our customers through our Weixin/WeChat and Alipay mini programs, *Nayuki* app and other third-party delivery platforms.

We have achieved strong operational and financial performance for our *Nayuki* teahouse network during the Track Record Period. Our *Nayuki* teahouse network grew rapidly from 44 as of December 31, 2017, to 491 as of December 31, 2020, and further to 562 as of the Latest Practicable Date. Revenues generated by our *Nayuki* teahouses increased from RMB909.5 million in 2018 to RMB2,291.5 million in 2019 and further to RMB2,870.9 million in 2020. Our profitability continued to improve throughout the Track Record Period, with adjusted net loss (non-IFRS measure) decreasing substantially from RMB56.6 million in 2018 to RMB11.7 million in 2019 and further turning to adjusted net profit (non-IFRS measure) of RMB16.6 million in 2020. Additionally, same store profit margin for *Nayuki* remained stable at 24.9% and 25.3% in 2018 and 2019, respectively.

BASIS OF PRESENTATION

The financial information of our Group has been prepared in accordance with the accounting policies set out in Note 2 of the Accountants' Report in Appendix I to this Prospectus which conform with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**").

Prior to the completion of the Reorganization for the Listing, our Company was incorporated in the Cayman Islands on September 5, 2019 as an exempted company with limited liability under the Companies Act of the Cayman Islands. In preparation of the Reorganization for the Listing, our Company underwent a reorganization and became the holding company of the companies now comprising our Group. The companies now comprising our Group were controlled by the Controlling Shareholder during the Track Record Period before and after the Reorganization. In addition, the Reorganization only involved inserting entities with no substantive operations as holding companies between shareholders of our Group and Shenzhen Pindao Management and its subsidiaries established in the PRC (the "**PRC Operating Entities**").

The combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods include the financial performance and cash flows of the companies now comprising the Group (or where the companies were incorporated at a date later than January 1, 2018, for the period from the date of incorporation to December 31, 2020). The combined statements of financial position of the Group as at December 31, 2018, December 31, 2019 and December 31, 2020 have been prepared to present the financial position of the companies now comprising the Group as at those dates, taking into account the respective dates of incorporation, establishment or acquisition, where applicable.

The IASB has issued a number of new and revised IFRS. For the purpose of preparing this historical financial information, our Group has adopted all applicable new and revised IFRS that are effective for the Track Record Period, including IFRS 9, Financial Instruments, IFRS 15, Revenue from Contracts with Customers and IFRS 16, Leases consistently throughout the Track Record Period. Except the early adoption of Amendment to IFRS 16, Leases, COVID-19-Related Rent Concessions, the Group has not applied any new standard or interpretation that is not yet effective during the Track Record Period. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2020 are set out in Note 32 to the Accountants' Report set forth in Appendix I to this Prospectus.

The adoption of IFRS 9 and IFRS 15 did not have significant impact on our Group's financial position and performance throughout the Track Record Period when compared to those that would have been presented under IAS 39, Financial Instruments: Recognition and Measurement, and IAS 18, Revenue.

IFRS 16 is effective for the accounting period beginning on or after January 1, 2019 and earlier application is permitted for entities that adopt IFRS 15 on or before the date of initial application of IFRS 16. Our Group has elected to adopt IFRS 16 consistently throughout the Track Record Period. The adoption of IFRS 16 primarily affects our Group's accounting as a lessee of leases for properties, outlets and warehouses which are classified as operating leases under Leases. Upon the adoption of IFRS 16, at the lease commencement date, our Group as a lessee recognizes a right-of-use assets and a lease liabilities for all fixed-rate leases, except for short-term leases with lease term of 12 months or less and leases of low-value assets. The adoption of IFRS 16 has impact on the recognition of right-of-use assets and lease liabilities as well as the recognition of depreciation charges of right-of-use assets and the interest expense on lease liabilities.

The following tables give an indication of the impact of the adoption of IFRS 16 on our Group's financial position as of December 31, 2018, 2019 and 2020 and its financial performance during the Track Record Period, by adjusting the amounts reported under IFRS 16 in these combined financial statements to compute estimates of the hypothetical amounts that would have been recognized under IAS 17, if this standard had continued to apply during the Track Record Period instead of IFRS 16. However, the following hypothetical amounts are estimates only, neither we prepared, nor had the reporting accountants audited or reviewed, the combined financial statements of our Group for the Track Record Period based on IAS 17.

Based on our initial assessment, if IAS 17 was applied instead of IFRS 16 throughout the Track Record Period, we estimate that the key items in our Group's combined statements of financial position as of December 31, 2018, 2019 and 2020 would have been affected as follows:

	As of December 31,					
	2018		2019		2020	
	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17
	(RMB in thousands)					
Right-of-use assets	726,818	–	1,170,414	–	1,240,066	–
Deferred tax assets	4,130	334	28,032	15,656	27,596	19,319
Total non-current assets	1,058,585	327,971	1,756,052	573,262	1,984,191	735,849
Trade and other receivables	61,246	77,235	136,047	158,317	725,004	746,186
Current assets	284,708	300,697	295,096	317,366	1,329,918	1,351,100
Lease liabilities (current)	(167,409)	–	(291,700)	–	(364,733)	–
Trade and other payables	(241,449)	(233,539)	(390,480)	(306,706)	(500,676)	(481,217)
Current liabilities	(849,671)	(674,352)	(1,226,434)	(920,960)	(2,728,191)	(2,343,998)
Net current liabilities	(564,963)	(373,656)	(931,338)	(603,594)	(1,398,273)	(992,898)
Lease liabilities (non-current)	(595,647)	–	(961,915)	–	(991,993)	–
Deferred tax liabilities	(808)	(7,942)	(788)	(13,893)	(4,046)	(27,030)
Total non-current liabilities	(603,405)	(14,893)	(974,180)	(25,370)	(1,010,335)	(41,326)
Net liabilities	(109,783)	(60,578)	(149,466)	(55,700)	(424,417)	(298,376)

	For the year ended December 31,					
	2018		2019		2020	
	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17	Amounts reported under IFRS 16	Hypothetical amounts as if under IAS 17
	(RMB in thousands)					
Other rentals and related expenses	(73,216)	(178,317)	(127,379)	(393,942)	(100,568)	(488,433)
Depreciation on right-of-use assets	(120,353)	–	(261,417)	–	(352,912)	–
Other net losses	(2,617)	(3,410)	(2,176)	(5,482)	(7,382)	(12,452)
Other expenses	(44,544)	(42,280)	(80,267)	(76,171)	(123,655)	(123,655)
Finance costs	(46,160)	(14,270)	(96,185)	(28,385)	(130,258)	(46,174)
(Loss)/profit before taxation	(47,391)	1,222	(42,690)	20,754	(190,095)	(140,082)
(Loss)/profit for the year	(69,729)	(28,829)	(39,680)	9,214	(203,302)	(157,779)
Cash generated from operations	208,338	100,095	445,642	179,137	568,408	225,500
Net cash generated from operating activities	200,789	92,546	415,854	149,349	574,345	231,437
Payment of capital element and interest element of lease liabilities	(108,243)	–	(266,505)	–	(342,908)	–
Net cash used in financing activities	180,952	289,195	(228,916)	37,589	91,923	434,831

Further details of the basis of preparation and presentation of our financial information are set out in Note 1 to the Accountants' Report set forth in Appendix I to this Prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATION

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following:

Customer Demand for Quality Freshly-Made Tea Drinks and Related Products

Our results of operations have been and will continue to be influenced by consumer spending on tea drinks and related products, especially quality freshly-made tea drinks, which is largely affected by the continuous improvements in living standards and consumption upgrades in China. As a result of strong economic growth, China has experienced a significant increase in per capita disposable income which drives the significant growth in China's tea market. According to the CIC Report, China's tea market by retail consumption value reached approximately RMB410.7 billion in 2020, and is expected to reach RMB810.2 billion by 2025, and the total retail consumption value generated by premium modern teahouses, including freshly-made tea drinks and other cross-selling products such as baked goods, increased from RMB0.8 billion in 2015 to RMB15.2 billion in 2020, representing a CAGR of 79.7%, and is expected to reach RMB62.3 billion in 2025. We have in the past benefitted from the robust growth of our industry, and we expect that the macro-economy in China and its growth will continue to significantly drive the growth of the tea drinks market as well as our business and prospect.

Customer demand is also affected by a number of other factors, including product innovations in the freshly-made tea market, food safety and product quality as well as enjoyable tea drinking experience offered by emerging premium modern teahouses. As a leading premium modern teahouse brand in China, we believe that our strong brand value, popular and rich-flavored products, proven track record, and ability to innovate and adapt to changing customer preferences well-position us to capture the growth opportunities in China's fast growing freshly-made tea drinking market.

Our Ability to Effectively Manage *Nayuki* Teahouse Network Expansion

The scale of our flagship *Nayuki* teahouse network significantly affects our revenue growth and operating efficiency. We started operating our *Nayuki* teahouse network in late 2015 and have since rapidly expanded it across China with extensive coverage over major Chinese cities. All of our *Nayuki* teahouses in China are currently self-operated. The following table sets forth the movement in the number of our *Nayuki* teahouses during the Track Record Period and up to April 30, 2021.

	For the year ended December 31,			For the period from January 1, 2021 up to April 30,
	2018	2019	2020	2021
Number of *Nayuki* teahouses at the beginning of the period	44	155	327	491
Number of new *Nayuki* teahouses opened during the period	111	173	172	40
Number of *Nayuki* teahouses closed during the period	(0)	(1)	(8)	(2)
Number of *Nayuki* teahouses at the end of the period	155	327	491	529

In order to further broaden our customer base and expand our market share, we plan to continue to expand our geographic coverage and deepen our market penetration by prudently increasing the number of *Nayuki* teahouses in selected markets in China. We plan to open approximately 300 and 350 *Nayuki* teahouses in 2021 and 2022, respectively, primarily in Tier 1 cities and New Tier 1 cities, among which approximately 70% are planned to be *Nayuki PRO* teahouses. We expect the number of new *Nayuki* teahouses to be opened in 2023 to be at least the same as the number of new *Nayuki* teahouses we plan to open in 2022, subject to market conditions. A typical *Nayuki* teahouse takes between two and three months to build, depending on the size and location of each teahouse. For the years ended December 31, 2021 and 2022, our planned investment costs for opening new *Nayuki* teahouses is expected to be approximately RMB423.6 million and RMB486.1 million, respectively, assuming the estimated average investment costs per regular *Nayuki* teahouse and per *Nayuki PRO* teahouse at RMB1.85 million and RMB1.25 million, respectively. The estimated average investment cost per *Nayuki PRO* teahouse is lower than that of a regular *Nayuki* teahouse primarily because we choose to remove the on-site bakery section at our *Nayuki PRO* teahouses, which eliminates the costs associated with procurement of baking equipment, and recruiting, training and retaining additional staff. We plan to fund such teahouse network expansion with a mix of cash flow generated from our operations and the proceeds from the Global Offering. For details, see the section headed "Future Plans and Use of Proceeds" of this Prospectus.

Nayuki teahouses opened in 2018 delivered an attractive teahouse payback period of approximately 10.6 months. Despite the COVID-19 outbreak, our *Nayuki* teahouses opened in 2018 and 2019, taken as a whole, achieved a teahouse payback period of 15.5 months. In addition, our *Nayuki* teahouses generally achieved an initial breakeven period within approximately four months during the Track Record Period. As we continue to grow our *Nayuki* teahouse network in China, we seek to leverage our increasing scale to improve our bargaining power over suppliers and landlords and help further lower our costs and operating expenses, including rental expenses, as a percentage of our revenues, as further discussed below. Our expanding presence in the market will also enhance our brand image, which we believe will help reduce our customer acquisition costs and reach more customers.

Our Ability to Grow Customer Base and Drive Customer Engagement

Our revenue growth depends largely on our ability to maintain and grow our customer base. We focus on promoting our *Nayuki* brand, constantly innovating its menu, and offering an enjoyable tea drinking experience in our teahouses in order to attract new customers and retain and engage existing customers. For the years ended December 31, 2018, 2019 and 2020, the number of *Nayuki* customer orders was 21.2 million, 53.2 million and 66.8 million, respectively. To further drive our customer retention and engagement, we launched our *Nayuki* membership program in September 2019, which enables our customers to subscribe as members to accumulate rewards points and access various privileges. This membership program has seen early customer acceptance, with the number of registered members significantly increasing from 9.3 million as of December 31, 2019 to 27.9 million as of December 31, 2020, and further to 35.3 million as of the Latest Practicable Date. In 2020, approximately 49.0% of the total number of our *Nayuki* orders was contributed by our *Nayuki* members. The number of our active members has grown from 2.0 million in the fourth quarter of 2019 to 5.8 million in the fourth quarter of 2020. In the fourth quarter of 2020, 29.8% of such active members were repeat members, as compared to that of 25.6% in the fourth quarter of 2019, which was higher than the industry average according to CIC.

Through our enjoyable in-store experience, high-quality products, branding partnerships, and social media marketing campaigns, we have successfully built *Nayuki* into a leading premium modern teahouse brand in China with a massive, growing and loyal customer base. According to the CIC Survey, *Nayuki* has been recognized by the highest number of respondents as the premium modern teahouse providing the most satisfying customer experience. We believe our brand equity and ability to offer a variety of attractive and quality freshly-made tea drinks and complementary baked goods have allowed us to drive customer spending in a cost-effective manner. The average sales value per order of *Nayuki* teahouses reached RMB42.9, RMB43.1 and RMB43.0 in 2018, 2019 and 2020. According to the CIC Report, we had the highest average sales value per order in 2020 among premium modern teahouse chains in China, according to the CIC Report.

Our Ability to Manage Costs and Operating Expenses

We have historically focused on driving high revenue growth and our cost and operating expenses have grown generally in line with our revenue growth. Costs and expenses of our teahouse operations mainly consist of cost of materials, staff costs and rental expenses. For the years ended December 31, 2018, 2019 and 2020, our cost of materials accounted for 35.3%, 36.6% and 37.9% of our total revenues, respectively. Our staff costs accounted for 31.3%, 30.0% and 30.1% of our total revenues, respectively. Our rental expenses, which equal to the sum of depreciation of right-of-use assets and other rentals and related expenses, accounted for 17.8%, 15.6% and 14.8% of our total revenues, respectively. Going forward, as we continue to rapidly expand our teahouse network, our profitability will largely depend on our ability to effectively control our cost of materials, rental expenses and store payroll expenses by implementing various measures such as upgrading our supply chain system for more accurate inventory forecasting, leveraging *Nayuki*'s brand to negotiate more favorable lease terms, and increasing our in-store staff's efficiency, as well as the application of technologies to further automate and streamline our in-store operation.

SEASONALITY

Our business is subject to seasonal fluctuations. We generally experience fewer purchase orders during cold seasons, and achieve higher purchase orders from time to time during public holidays such as the National Holiday in China. The sales of our products typically peak during the period from May to August in a year when the weather is warm and summer vacations come. Additionally, since we sell many of our products throughout the year, the cost of materials we incur also fluctuates throughout the year as with the prices of fruits, dairy and other products that we use as raw materials. See also "Risk Factors – Risks Relating to Our Business and Industry – Our business is subject to seasonal fluctuations and unexpected interruptions."

EFFECTS OF THE COVID-19 OUTBREAK ON OUR BUSINESS

Industry Background of the COVID-19 Outbreak

Since the end of December 2019, the outbreak of a novel strain of coronavirus named COVID-19 has materially and adversely affected the global economy. In response, countries and regions across the world, including China, have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus. As of the Latest Practicable Date, substantially all of the Chinese cities had eased or lifted domestic travel restrictions and resumed normal social activities, business, work and production.

According to the CIC Report, the COVID-19 outbreak had impacted China's freshly-made tea industry and the food and beverage industries in general in various ways. To varying degrees, it disrupted the normal operation of teahouses due to a number of restrictions such as limited hours of operation and full-store shutdowns. Accordingly, the growth of China's freshly-made tea market slowed down in 2020, decreasing from 22.7% in 2019 to 6.8% in 2020, mainly as a result of the disruption. On the other hand, COVID-19 outbreak had transformed consumer habits in China, with food delivery as a percentage of the total retail consumption value of freshly-made tea drinks increasing from approximately 16.1% in 2019 to approximately 25.0% in 2020.

Impact of the COVID-19 Outbreak on Our Operations

Impact on Teahouse Operations and Performance

As mandated shutdowns and limited operation orders went into effect across China from late January to early April 2020 when the COVID-19 outbreak peaked in China, we had experienced an immediate and drastic reduction in sales levels compared to the same periods in 2019. Approximately 61% of our *Nayuki* teahouses in China had temporarily closed for seven or more days during February 2020 when the COVID-19 outbreak peaked in China. In particular, all of our 19 *Nayuki* teahouses located in Wuhan, China suspended operations from late January 2020 to early April 2020, as a result of the city-wide lockdown. For *Nayuki* teahouses that remained open in other regions of China, the average daily sales per teahouse and same store sales declined significantly due to shortened hours of operation and reduced customer traffic, with a significant portion of those teahouses temporarily shifting to a "delivery/pick-up only" operating model and solely serving delivery and pick-up orders by customers. As a result, the average daily sales per teahouse for our *Nayuki* teahouse network decreased from RMB28.7 thousand in the first quarter of 2019 to RMB15.6 thousand in the first quarter of 2020, and from RMB27.7 thousand in 2019 to RMB20.2 thousand in 2020. The same store sales for our *Nayuki* teahouses with respect to the same stores across 2019 and 2020 decreased by 45.9% from the first quarter of 2019 to the first quarter of 2020, and by 21.5% from 2019 to 2020. In addition, our revenues decreased from RMB434.0 million in the first quarter of 2019 to RMB425.6 million in the first quarter of 2020.

The social and market conditions in China have substantially improved since late March 2020 when the COVID-19 outbreak was substantially under control. Accordingly, we have experienced steady recovery in our operating performance since April 2020. All of our 19 *Nayuki* teahouses in Wuhan, China were reopened in April 2020 under modified operations in accordance with local public health guidelines. All of our *Nayuki* teahouses in China were open as of late April 2020, and sales and customer traffic at such teahouses substantially recovered by the end of July 2020. The average daily sales per teahouse for our *Nayuki* teahouses increased by 18.5% from RMB18.3 thousand in the first half of 2020 to RMB21.7 thousand in the second half of 2020. The same store sales for our *Nayuki* teahouses with respect to the same stores across 2019 and 2020 increased by 31.7% from the first half of 2020 to the second half of 2020. In particular, our *Nayuki* teahouses located in Tier 1 cities have witnessed a strong post-pandemic rebound, with the same store sales in the second half of 2020 returning to a similar level as that for the same period in 2019, which was primarily due to the more effective epidemic prevention measures these Tier 1 cities have taken in response to the COVID-19 outbreak.

Due to a number of factors such as mandatory quarantine requirements, social distancing and transportation and travel restrictions as well as our proactive and swift responses to the COVID-19 outbreak, our delivery services witnessed a significant growth in 2020, which was also attributable to our success in enhancing our online service capabilities. In 2020, approximately 22.9% of our *Nayuki* orders were fulfilled as delivery orders placed by our customers through our Weixin/WeChat and Alipay mini programs, *Nayuki* app and other third-party delivery platforms, compared to that of 12.5% in 2019. Revenues derived from delivery orders for our *Nayuki* products increased significantly from RMB396.7 million in 2019 to RMB916.1 million in 2020, accounting for approximately 31.9% of our total revenues generated by our *Nayuki* teahouses.

Impact on Other Aspects of Our Business Operations

Apart from *Nayuki* teahouse operation and performance, the following aspects of our business had also been affected by the COVID-19 outbreak to varying degrees:

- *Teahouse network expansion*. Due to the closure of work places and travel restrictions across China during the COVID-19 outbreak, the development, construction and decoration of certain new teahouses had been temporarily suspended. From late January 2020 to the end of April 2020, we had not opened any new *Nayuki* teahouse in China. Despite such temporary suspensions caused by the COVID-19 outbreak, we have been working diligently since the social situations improved in March 2020 to catch up on our original construction and decoration plans and opening schedules, and currently we have not experienced or foresee any major delays or disruptions to our *Nayuki* teahouse network expansion plans. See "Business – Our *Nayuki* Premium Modern Teahouses – Teahouse Network Management – Recent and Planned Expansion" for a more detailed discussion of our *Nayuki* teahouse expansion plan in the near future, taking into account the temporary impact of the COVID-19 outbreak.

- *Supply chain management*. Since the COVID-19 outbreak, we have proactively worked with our extensive network of suppliers to ensure stable supplies of raw materials required for our daily operations. Therefore, we had not experienced any material shortage of supplies during the COVID-19 outbreak and up to the Latest Practicable Date. The temporary decreased and unstable customer demands during the COVID-19 outbreak led to a prolonged inventory turnover, which we expect to improve as our customer demands return to a stable and normal level.

- *Product development.* Due to the closure of work places, social distancing and travel restrictions caused by the COVID-19 outbreak, our product development and innovations were temporarily interrupted until late March 2020 when we launched our first new product in 2020. Since March 2020, all of our product development efforts have returned to normal levels and we had introduced over 140 new products at our *Nayuki* teahouses since March 2020 and up to the Latest Practicable Date.

Conclusions

Despite the impact of the COVID-19 outbreak on our operations outlined above, we still managed to achieve revenue growth in 2020, which was largely due to our success in achieving a speedy recovery by leveraging our brand name and extensive teahouse network. Revenues increased from RMB2,501.5 million in 2019 to RMB3,057.2 million in 2020. In addition, we also achieved a positive store-level operating profit of RMB351.2 million for *Nayuki* in 2020. See "– Period-to-Period Comparison of Results of Operations – Year Ended December 31, 2020 Compared to Year Ended December 31, 2019" for a detailed discussion of our financial performance in 2020 amid the COVID-19 outbreak.

However, there are no comparable recent events that provide guidance as to the effect the COVID-19 outbreak as a global pandemic may have or how it will evolve. Although conditions have substantially improved since late March 2020 in China, we have seen confirmed cases of COVID-19 in certain cities in China. In addition, it remains difficult to predict the impact of the COVID-19 pandemic on the broader economy and how consumer behaviors may change accordingly. Social distancing, telecommunicating and reductions in travel may become the new normal. These conditions could fundamentally impact the way we work and the products and services we provide, and could have continuing adverse effects on our results of operations, cash flows and financial condition beyond 2020. The extent to which our operations continue to be impacted by the COVID-19 outbreak will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including the possible reemergence and further spread of COVID-19 and the actions by the government authorities to contain the pandemic or treat its impact, among other things. For details, please refer to "Risk Factors – Risks Relating to Our Business and Industry – Our business operations have been adversely affected by the COVID-19 outbreak, and may in the future continue to be affected by the COVID-19 outbreak."

Recovery and Employee Protection Measures

At the very beginning of the COVID-19 outbreak, we formed a special working group led by Mr. Zhao Lin, our co-founder and Chief Executive Officer, who is responsible for designing and overseeing the implementation of our remedial measures. Under the leadership of this special working group, we have employed various measures to mitigate the impact of the COVID-19 outbreak on our business operations. Such remedial measures include:

- *Customer and employee safety comes first*. We put the health and well-being of our customers and employees first in all that we do at our teahouses. We have been taking precautions for every in-store staff that works in our teahouses to protect them and their customers. We have been closely tracking the health and wellness status of our in-store staff and we routinely check their body temperature multiple times during their shifts at our teahouses. In-store staff are also required to wear masks during their shifts and frequently wash their hands. In addition, we require our in-store staff to sanitize tables and chairs in our teahouses on an hourly basis to make our customers feel safe in our teahouses. At our teahouses, we respectfully require customers to follow social distancing and safety protocols in line with government guidelines. We also provide free sanitizers for our customers' use.

- *Modified operations catering to customers' demands*. We have made a number of adjustments to our normal operations in order to operate safely, efficiently and gratifyingly. We proactively communicate with the property management companies with respect to our teahouses to adjust our hours of operations, accommodating our customers' demands and at the same time minimizing our in-store staff's risk of exposure to the COVID-19. We have tailored product offerings on our menu, catering to our customers' preferences while maintaining effective cost controls.

- *Sales and marketing activities*. In response to the COVID-19 outbreak, we increased our sales and marketing efforts on online retailing and launched a variety of promotions and activities, catering to the post-pandemic consumption occasions. For example, we provided special offers for delivery orders to boost our online sales in February and March 2020. For every delivery order, customers have the option of a "contactless" handoff by their delivery person to enjoy our products at home without safety concerns.

Seeing an increasing number of customers getting used to online marketing and retailing due to widespread lockdowns and social distancing amidst the COVID-19 outbreak, we seek to accelerate the process to automate and optimize our business operations to enhance customer engagement and offer captivating customer experience, and to further increase our online and offline presence, so as to conform to the potential change of consumption habits and capture the attractive online retailing business opportunities post-pandemic. See "Business – Our Growth Strategies" for details.

In addition, our employees' safety is of vital importance to our operations during the COVID-19 outbreak. We have adopted flexible working arrangements in accordance with the local governments' initiatives during the COVID-19 outbreak. To practice social distancing, we worked hard to reduce the number of in-store staff per teahouse, while maintaining the normal operations of our teahouses, with the consent of the relevant in-store staff. We have also implemented various protection policies for our employees in line with government guidelines. We provide our employees with protective masks and sanitization supplies. We require employees to prove negative COVID-19 test before going back to work from business travels. As of the Latest Practicable Date, we had not received any reports of any confirmed cases of COVID-19 of our employees in both China and overseas. We plan to continue to implement these remedial measures and may implement additional measures as necessary to ease the impact of the COVID-19 outbreak on our business operations.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our significant accounting policies and judgements made by management in the application of IFRS that have significant effect on our financial condition and results of operations are set forth in detail in Note 2 and Note 3 to the Accountants' Report set forth in Appendix I to this Prospectus, respectively. We set forth below those accounting policies and estimates that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Revenue and Other Income

Our Group has applied IFRS 15 Revenue from Contracts with Customers for the years presented.

Income is classified by our Group as revenue when it arises from the sales of goods and the provision of services in the ordinary course of our Group's business.

Revenue is recognized when control over a product or service is transferred to the customer, at the amount of promised consideration to which our Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value-added tax or other sales taxes and is after deduction of any trade discounts.

Further details of our Group's revenue and other income recognition policies are as follows.

Revenue from contracts with customers

Our Group principally generates its revenue from the sales of freshly-made tea drinks, baked goods and other products through its operating teahouses and online food delivery applications. Our Group's revenue is derived from the following sources:

Sales of freshly-made tea drinks

Revenue from sales of freshly-made tea drinks are related to the sales of various freshly-made tea drinks such as fruit tea drinks. Revenues from the sales of freshly-made tea drinks are recognized at the point in time when the customers accept the ordered products and the control over the products is transferred to the customer. For orders from third-party delivery platforms, revenues are recognized at the point in time when the goods are delivered to the customers, which is the point of time when the control over the products is transferred to the customer.

Sales of baked goods and other products

Revenues from sales of baked goods and other products are related to the sales of breads and other baked goods such as cakes and desserts which complement the freshly-made tea drinks. Other products are primarily derived from the sales of freshly-cut fruits, decorative, seasonal gift boxes and accessories related to our Group's products. Revenues from sales of baked goods and other products are recognized at the point in time when the customers accept the ordered products and the control over the products is transferred to the customer. For orders from third-party delivery platforms, revenues are recognized at the point in time when the goods are delivered to the customers, which is the point of time when the control over the products is transferred to the customer.

Discount vouchers and free vouchers for complimentary tea drinks and baked goods

From time to time, our Group offers its customers discount vouchers and free vouchers for complimentary tea drinks, baked goods and other products. The discount vouchers and free vouchers for complimentary tea drinks, baked goods and other products can be obtained through the following three channels: (i) from qualified purchases when the customers reach certain amount of spending; (ii) from redemption of membership points accumulated from our membership program of our Group; (iii) distributed for free of charge by our Group through various promotional and advertising activities.

As the discount vouchers and free vouchers for complimentary tea drinks, baked goods and other products obtained through channels (i) and (ii) are issued concurrent with a revenue transaction, our Group estimates the value of the future redemption obligation based on the estimated value of the products for which the discount vouchers and free vouchers for complimentary drinks, baked goods and other products are expected to be redeemed, and recognizes the estimated fair value in the combined statements of financial position as contract liability. Subsequently, contract liability is recognized as revenue at the point in time when the customer redeems the discount vouchers and free vouchers for complimentary tea drinks, baked goods and other products in future purchases, or when our Group is legally released from its obligation based on the expiration date of the discount vouchers and free vouchers.

For discount vouchers obtained through channel (iii) for which the granting of such discount vouchers does not occur concurrently with a revenue transaction, the discount vouchers are not accounted for when such vouchers are granted and can only be applied to future purchases of certain specified products of our Group. Our Group recognizes as a reduction in revenue when the customers apply the discount vouchers in future purchases.

Prepaid cards

Our Group also offers prepaid cards to its customers and the cash consideration received from the sale of prepaid cards are recognized as contract liabilities. Revenues are recognized upon the usage of the prepaid cards.

Membership program

Our Group offers customers a membership program through which its customers can earn membership points from qualified purchases. The membership points can be used to redeem discount vouchers, cell phone accessories and other accessories related to the brandings of our Group.

Customers membership points earned through qualified purchases are considered as a separate performance obligation arising from transactions with customers. Our Group estimates the value of the future redemption obligation based on the estimated value of the products for which the membership points are expected to be redeemed based on historical redemption patterns, including an estimate of the breakage for points that will not be redeemed.

The following table sets forth the face value and equivalent monetary value of our prepaid cards, accumulated points under our *Nayuki* membership program, and discount vouchers and free vouchers as of the dates indicated:

	As of December 31,					
	2018		2019		2020	
	Face Value	Equivalent monetary value(1)	Face Value	Equivalent monetary value(1)	Face Value	Equivalent monetary value(1)
	(RMB in thousands)					
Prepaid cards	14,295	12,949	49,039	40,469	81,806	67,070
Nayuki membership points(2)	N/A	1,759	N/A	3,915	N/A	2,619
Discount vouchers and free vouchers(3)	N/A	194	N/A	516	N/A	670
Total	N/A	14,902	N/A	44,900	N/A	70,359

Notes:

1. We define equivalent monetary value as (i) the actual consideration we received in connection with the issuance of prepaid cards, and (ii) the estimated fair value of products for which customers can redeem their *Nayuki* membership points, discount vouchers and/or free vouchers, as the case may be.

2. *Nayuki* membership points typically do not have fixed face value. When a *Nayuki* member accumulates sufficient points that correspond to a particular *Nayuki* product assigned by us, he or she can choose to redeem such amount of *Nayuki* membership points for that particular *Nayuki* product.

3. Discount vouchers and free vouchers generally do not have fixed face value. The value of such vouchers is typically determined on a case by case basis, subject to the value of the specific products a customer chooses to redeem his or her vouchers for, among other things.

The following table sets forth the amount of our revenues derived from the usage of our prepaid cards, accumulated points under our *Nayuki* membership program, and discount vouchers and free vouchers during the Track Record Period:

	For the year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Prepaid cards	36,614	49,911	121,936
Nayuki membership points	74	1,545	6,946
Discount vouchers and free vouchers	325	898	12,212
Total	37,013	52,354	141,094

The following table sets forth a breakdown by expiry dates of our remaining contractual obligations in relation to our prepaid cards, accumulated points under our *Nayuki* membership program, and discount vouchers and free vouchers as of December 31, 2020:

	Within a year	**One to two years**	**Two to three years**	**Over three years**	**Total**
	(RMB in thousands)				
Prepaid cards	36,676	10,520	6,625	13,249	67,070
Nayuki membership points	2,619	–	–	–	2,619
Discount vouchers and free vouchers	670	–	–	–	670
Total	39,965	10,520	6,625	13,249	70,359

The following table sets the movement in our contract liabilities in relation to our prepaid cards, accumulated points under our *Nayuki* membership program, and discount vouchers and free vouchers:

	Prepaid cards	Nayuki membership points	Discount vouchers and free vouchers	Total
		(RMB in thousands)		
At the beginning of the year 2018	3,302	–	–	3,302
Incurred during the year	46,261	1,833	519	48,613
Recognized as revenue during the year	(36,614)	(74)	(325)	(37,013)
At the end of the year 2018 and the beginning of the year 2019	12,949	1,759	194	14,902
Incurred during the year	77,431	3,701	1,220	82,352
Recognized as revenue during the year	(49,911)	(1,545)	(898)	(52,354)
At the end of the year 2019 and the beginning of the year 2020	40,469	3,915	516	44,900
Incurred during the year	148,537	5,650	12,366	166,553
Recognized as revenue during the year	(121,936)	(6,946)	(12,212)	(141,094)
At the end of the year 2020	67,070	2,619	670	70,359

The following table sets forth an aging analysis of our contract liabilities in relation to our prepaid cards, accumulated points under our *Nayuki* membership program, and discount vouchers and free vouchers as of December 31, 2020:

	Within a year	One to two years	Two to three years	Total
		(RMB in thousands)		
Prepaid cards	50,706	12,710	3,654	67,070
Nayuki membership points	2,619	–	–	2,619
Discount vouchers and free vouchers	670	–	–	670
Total	53,995	12,710	3,654	70,359

The following table illustrates the subsequent usage of our prepaid cards, accumulated points under our *Nayuki* membership program, and discount vouchers and free vouchers as of April 30, 2021:

	As of April 30, 2021
	(RMB in thousands)
Prepaid cards	25,899
Nayuki membership points	514
Discount vouchers and free vouchers	561
Total	26,974

Our Group's prepaid cards, *Nayuki* membership points, and discount vouchers and free vouchers generally had an expiration period ranging from 2 weeks to 36 months upon issuance at any given point. Our Group recognizes breakage revenue either (i) when the Group is released from its obligations of performance upon expiration of the relevant prepaid cards, *Nayuki* membership points, and discount vouchers and free vouchers, or (ii) when the likelihood of usage is remote, in which case our Group recognizes, on an ongoing basis over a given period, breakage revenue in amounts that are estimated by reference to the latest available historical information regarding usage and redemption patterns. Our Group reviews such breakage estimates on an annual basis, and any difference between the estimated and actual amounts of breakage revenue, upon expiration of the relevant prepaid cards, *Nayuki* membership points, and discount vouchers and free vouchers, is recognized as revenue in profit or loss. During the Track Record Period, we recognized breakage revenues of nil, RMB9.7 million and RMB20.1 million in 2018, 2019 and 2020, respectively.

Interest Income

Interest income is recognized as it accrues under the effective interest method.

Fair Value of Derivative Financial Liabilities

Our Company has issued warrant, onshore loans, convertible note and convertible redeemable preferred shares to investors during the Track Record Period as set out in Note 22 and 23 to the Accountant's Report in Appendix I to this Prospectus. We classified the warrant, onshore loans, convertible note and convertible redeemable preferred shares as financial liabilities at FVTPL of which no quoted prices in an active market exist. The fair value is established by using valuation techniques which include market approach and equity allocation model. Valuation techniques are certified by an independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on our own specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of our Company, possibilities under different scenarios such as initial public offering and liquidation, time to liquidation and discount for lack of marketability, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the other financial liabilities at FVTPL. The fair values of the warrant, onshore loans, convertible note and convertible redeemable preferred shares are set out in Note 22 and 23 to the Accountant's Report in Appendix I to this Prospectus.

In relation to the valuation of the warrant, onshore loans, convertible note and convertible redeemable preferred shares, our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the terms of the warrant, onshore loans, convertible note and convertible redeemable preferred shares agreements; (ii) engaged independent business valuer, provided necessary financial and non-financial information so as to enable the valuer to perform valuation procedures and discussed with the valuer on relevant assumptions; (iii) carefully considered all information especially those non-market related information input, such as fair value of the ordinary shares of our Company, possibilities under different scenarios, time to liquidation and discount for lack of marketability, which require management assessments and estimates; and (iv) reviewed the valuation working papers and results prepared by the valuer. Based on the above procedures, our Directors are of the view that the valuation analysis performed by the valuer is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of warrant, onshore loans, convertible note and convertible redeemable preferred shares, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in Note 29(e) to the Historical Financial Information of Group for the Track Record Period as set out in the accountants report issued by the Reporting Accountants in accordance with Hong

Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants in Appendix I. The reporting accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on I-2 of Appendix I to this Prospectus.

In relation to the valuation analysis performed by valuer on warrant, onshore loans, convertible note and convertible redeemable preferred shares, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes in the Accountants' Report as contained in Appendix I and relevant documents provided by valuer; and (ii) discussed with the Company, the Reporting Accountants and the valuer about the key basis and assumptions for the valuation of warrant, onshore loans, convertible note and convertible redeemable preferred shares. Having considered the work done by the Directors and Reporting Accountants and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation analysis performed by the valuer on the derivative financial liabilities.

Government Grants

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that our Group will comply with the conditions attaching to them. Grants that compensate our Group for expenses incurred are recognized as income in profit or loss on a systematic basis in the same years in which the expenses are incurred. Grants that compensate our Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognized in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Leased Assets

At inception of a contract, our Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), our Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, our Group recognizes a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets, which for our Group are apartments and storage. When our Group enters into a lease in respect of a low-value asset, our Group decides whether to capitalize the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalized are recognized as an expense on a systematic basis over the lease term.

Where the lease is capitalized, the lease liability is initially recognized at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortized cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognized when a lease is capitalized is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property and equipment.

The lease liability is re-measured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in our Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether our Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also re-measured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is re-measured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognized the change in consideration as if it were not a lease modification.

Our Group presents right-of-use assets and lease liabilities separately in the statement of financial position.

Recognition of Deferred Tax Asset

Deferred tax assets are recognized in respect of deductible temporary differences. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Construction in progress represents property and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives.

Both the useful life of an asset and its residual value, if any, are reviewed at each reporting period.

Impairment of Property and Equipment and Right-of-Use Assets

Internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that property and equipment or right-of-use assets may be impaired. If any such indication exists, the recoverable amount of the property and equipment and right-of-use assets is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future periods.

Depreciation

Property and equipment, and right-of-use assets, are depreciated on a straight-line basis over the estimated useful lives of the assets. Our Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on our Group's historical experience with similar assets. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

COMBINED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our combined statements of comprehensive income (loss) for the periods indicated, both in absolute amounts and as percentages of total revenues.

	For the year ended December 31,					
	2018		**2019**		**2020**	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Revenues	1,086,826	100.0	2,501,510	100.0	3,057,181	100.0
Other income	2,526	0.2	5,604	0.2	205,951	6.7
Cost of materials	(383,950)	(35.3)	(915,653)	(36.6)	(1,159,322)	(37.9)
Staff costs	(340,205)	(31.3)	(750,724)	(30.0)	(919,096)	(30.1)
Depreciation of right-of-use assets	(120,353)	(11.1)	(261,417)	(10.5)	(352,912)	(11.5)
Other rentals and related expenses	(73,216)	(6.7)	(127,379)	(5.1)	(100,568)	(3.3)
Depreciation and amortisation of other assets	(39,847)	(3.7)	(92,534)	(3.7)	(154,117)	(5.0)
Advertising and promotion expenses	(39,384)	(3.6)	(67,484)	(2.7)	(82,172)	(2.7)
Delivery service fees	(10,796)	(1.0)	(64,435)	(2.6)	(167,369)	(5.5)
Utilities expenses	(23,632)	(2.2)	(51,659)	(2.1)	(66,909)	(2.2)
Logistic and storage fees	(12,039)	(1.1)	(39,891)	(1.6)	(56,710)	(1.9)
Other expenses	(44,544)	(4.1)	(80,267)	(3.2)	(123,655)	(4.0)
Other net losses	(2,617)	(0.2)	(2,176)	(0.1)	(7,382)	(0.2)
Finance costs	(46,160)	(4.2)	(96,185)	(3.8)	(130,258)	(4.3)
Fair value changes of financial liabilities at fair value through profit or loss	–	–	–	–	(132,757)	(4.3)
Loss before taxation	(47,391)	(4.4)	(42,690)	(1.7)	(190,095)	(6.2)
Income tax	(22,338)	(2.1)	3,010	0.1	(13,207)	(0.4)
Loss for the year	(69,729)	(6.4)	(39,680)	(1.6)	(203,302)	(6.6)

NON-IFRS MEASURE

To supplement our combined financial statements that are presented in accordance with IFRS, we also use adjusted net (loss)/profit (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management does not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it helps our management. However, our presentation of adjusted net (loss)/profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

Adjusted Net (Loss)/Profit (Non-IFRS Measure)

We define adjusted net (loss)/profit (non-IFRS measure) as net loss for the period adjusted by adding back fair value changes of financial liabilities at fair value through profit or loss, listing expenses, equity-settled share-based payment expenses, interest on redeemable capital contributions, income from output value-added tax exemption and uncreditable input value-added tax. The following table reconciles our adjusted net (loss)/profit (non-IFRS measure) for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net loss for the periods.

	For the year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Reconciliation of net loss and adjusted net (loss)/profit (non-IFRS measure)			
Net loss for the year	(69,729)	(39,680)	(203,302)
Add:			
Fair value changes of financial liabilities at fair value through profit or loss(1)	–	–	132,757
Listing expenses(2)	–	–	11,410
Equity-settled share-based payment expenses(3)	–	–	45,458
Interest on redeemable capital contributions(4)	13,149	27,945	38,249
Income from output value-added tax exemption(5)	–	–	(180,342)
Uncreditable input value-added tax(6)	–	–	172,413
Adjusted net (loss)/profit (non-IFRS measure)	(56,580)	(11,735)	16,643
Adjusted net (loss)/profit margin (non-IFRS measure)(7)	(5.2)%	(0.5)%	0.5%

Notes:

1. Fair value changes of financial liabilities at fair value through profit or loss represent the gains or losses arising from change in fair value of our warrants, onshore loans and convertible note with conversion rights in connection with the Series B-2 investments. Such changes are one-off and non-cash in nature and are not directly related to our operating activities.

2. Listing expenses relate to this Global Offering of the Company, which is one-off in nature and is not directly related to our operating activities.

3. Equity-settled share-based payment expenses consist of (i) share options and RSUs granted in 2020 under the 2020 Share Incentive Plan, and (ii) difference in fair value of ordinary shares and preferred shares arising from the re-designation of ordinary shares held by our Controlling Shareholders to preferred shares by our Company. For (i), it is adjusted for as these items are non-cash and non-operational in nature; and for (ii), it is adjusted for as the transaction is irregular to the operation of the business. In addition, both (i) and (ii) are not directly correlate with our business performance in a given year.

4. Interest on redeemable capital contribution represents interest on our Series A, Series A+ and Series B-1 investments. Although we recorded interest on redeemable capital contribution in each year throughout the Track Record Period, the underlying Pre-IPO Investments nonetheless are non-recurring in nature. Upon completion of the Global Offering, the redeemable capital contribution in connection with such Pre-IPO Investments would be converted into equity of the Company and subsequently no interest would accrue. In addition, the interest on redeemable capital contribution is a non-cash and non-operational item, which is not directly correlate with our business performance in a particular year.

5. Income from output value-added tax exemption represents the income from the one-off preferential output value-added tax exemption that local governments granted to ease the impact of the COVID-19 outbreak. This output value-added tax exemption policy had expired as of the Latest Practicable Date and we will no longer benefited from such tax exemption going forward.

6. Uncreditable input value-added tax represents the amount of the corresponding input value-added tax that was left uncreditable as a result of the one-off output value-added tax exemption in 2020. This output value-added tax exemption policy had expired as of the Latest Practicable Date and we will no longer benefited from such tax exemption going forward.

7. Calculated using adjusted net (loss)/profit (non-IFRS measure) divided by revenues for a given period.

We incurred significant adjusted net losses (non-IFRS measure) in 2018 and 2019, primarily because historically we made substantial initial investments to drive rapid growth of our teahouse network, enhance brand awareness and lay a solid foundation at headquarters to support our future expansion, which we believe are indispensable to establish compelling competitive advantages and capitalize on attractive market opportunities for our long-term profitable growth.

Our profitability continued to improve throughout the Track Record Period, with adjusted net loss (non-IFRS measure) decreasing substantially from RMB56.6 million in 2018 to RMB11.7 million in 2019, and further turning to adjusted net profit (non-IFRS measure) of RMB16.6 million in 2020, despite the material impact of the COVID-19 outbreak on our business operations during the first half of 2020. Such improvements in our overall profitability reflected our improved operational efficiency at the headquarters level, primarily due to significant economies of scale as we continued to rapidly ramp up our business during the Track Record Period. Accordingly, we recorded adjusted net loss margins (non-IFRS measure) of 5.2% and 0.5% in 2018 and 2019, respectively, and adjusted net profit margin (non-IFRS measure) of 0.5% in 2020, respectively. See "– Key Financial Ratios" for details.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenues

The following table sets forth a breakdown of our revenues, in absolute amounts and as percentage of total revenues, for the years indicated:

	For the year ended December 31,					
	2018		**2019**		**2020**	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Freshly-made tea drinks	790,944	72.8	1,824,177	72.9	2,322,849	76.0
Baked goods	266,295	24.5	632,808	25.3	667,384	21.8
Other products[(1)]	29,587	2.7	44,525	1.8	66,948	2.2
Total	1,086,826	100.0	2,501,510	100.0	3,057,181	100.0

Note:

(1) primarily including gifts and retail products, such as gift tea boxes, snacks and seasonal gift sets.

We offer a wide variety of freshly-made tea drinks, baked goods and other products including gift tea boxes, snacks, seasonal gift sets and accessories related to our products, and generate revenues from selling them to customers in our teahouses and through online ordering and delivery.

We generate substantially all of our revenues from sales of products offered by our flagship *Nayuki* teahouses. For the years ended December 31, 2018, 2019 and 2020, *Nayuki* contributed 83.7%, 91.6% and 93.9% of the total revenues, respectively. The remaining small portion of our revenues was mainly derived from teahouses operated under our sub-brand *Tai Gai* during the Track Record Period. Our revenues are recognized net of sales-related taxes.

Other Income

Other income consists primarily of (i) interest income on bank deposits and rental deposits, (ii) government grants, primarily representing subsidies and tax benefits from local governments, (iii) income from output value-added tax exemption granted by local governments, and (iv) others. The following table sets forth the components of our other income for the periods indicated.

	For the year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Interest income	2,219	4,953	7,732
Government grants	307	613	17,877
Income from output value-added tax exemption	–	–	180,342
Others	–	38	–
Total	2,526	5,604	205,951

To ease the impact of the COVID-19 outbreak, the Ministry of Finance and the SAT of the PRC jointly promulgated in February 2020 the Announcement on Tax Policies in Support of Prevention of the COVID-19 (關於支持新型冠狀病毒感染的肺炎疫情防控有關稅收政策的公告), pursuant to which enterprises that provide services and supports for daily living like us are entitled to the output value-added tax exemption since January 1, 2020. Accordingly, we benefited from such preferential tax policies and recorded non-recurring income of RMB180.3 million from output value-added tax exemption granted by local governments in response to the COVID-19 outbreak. Nonetheless, we, at the same time, also recorded (i) cost of materials of RMB145.3 million, and (ii) operating expenses of approximately RMB27.1 million allocated to expenses of different natures, because the corresponding input value-added tax that we had already paid was left uncreditable upon such output value-added tax exemption. As a result, we only benefited by a net amount of RMB7.9 million from the one-off output value-added tax exemption in 2020. Had we not benefited from the preferential output value-added tax exemption, we would not record such costs or expenses incurred in connection with the corresponding uncreditable input value-added tax. This output value-added tax exemption policy had expired as of the Latest Practicable Date and we have no longer benefited from such tax exemption since January 1, 2021.

Cost of Materials

Cost of materials consists primarily of (i) cost of raw materials, including tea leaves, dairy products, seasonal fruits, juices, and other raw materials used for the preparation of our freshly-made tea drinks, baked goods and other products, and (ii) cost of packaging materials and consumables such as tea cups and paper bags. The following table sets forth a breakdown of our cost of materials by (1) nature of costs and (2) product types, in absolute amounts and as percentages of total revenue for the periods indicated.

	For the year ended December 31,					
	2018		**2019**		**2020**	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Cost of raw materials	317,614	29.2	702,226	28.1	878,898	28.7
Cost of packaging materials	66,336	6.1	213,427	8.5	280,424	9.2
Total	383,950	35.3	915,653	36.6	1,159,322	37.9

	For the year ended December 31,					
	2018		**2019**		**2020**	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Freshly-made tea drinks	258,700	23.8	610,121	24.4	787,575	25.8
Baked goods	112,083	10.3	284,406	11.4	337,156	11.0
Other products[1]	13,167	1.2	21,126	0.8	34,591	1.1
Total	383,950	35.3	915,653	36.6	1,159,322	37.9

Note:

(1) primarily including gifts and retail products, such as gift tea boxes, snacks and seasonal gift sets.

Staff Costs

Staff costs consist primarily of (i) salaries, wages and other benefits, (ii) contributions to defined contribution retirement plan and (iii) equity-settled share-based payment expenses. The following table sets forth the components of our staff costs in absolute amounts and as percentages of total revenue for the periods indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Salaries, wages and other benefits	320,148	29.5	707,518	28.3	853,579	27.9
Contributions to defined contribution retirement plan	20,057	1.8	43,206	1.7	20,059	0.7
Equity-settled share-based payment expenses	–	–	–	–	45,458	1.5
Total	340,205	31.3	750,724	30.0	919,096	30.1

Depreciation of Right-of-Use Assets

Depreciation of right-of-use assets represent depreciation charges for our leases. We had adopted IFRS 16 throughout the Track Record Period, under which we recognized right-of-use asset and lease liability accordingly. Depreciation of right-of-use assets is recognized using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. For further details, see " – Critical Accounting Policies and Estimates – Leased Assets," and " – Critical Accounting Policies and Estimates – Depreciation." For the years ended December 31, 2018, 2019 and 2020, depreciation of right-of-use assets amounted to RMB120.4 million, RMB261.4 million and RMB352.9 million, representing 11.1%, 10.5%, and 11.5% of our total revenues during the same periods, respectively.

Other Rentals and Related Expenses

Other rentals and related expenses consist primarily of lease payments for our leases of teahouses. Our other rentals and related expenses mainly include (i) short-term leases that have a lease term of 12 months or less and leases of low-value assets; and (ii) variable lease payments which subject to some specified event or condition. In 2020, our other rentals and related expenses were partially offset by rent concession due to the COVID-19 outbreak in 2020. For the years ended December 31, 2018, 2019 and 2020, other rentals and related expenses amounted to RMB73.2 million, RMB127.4 million and RMB100.6 million, representing 6.7%, 5.1% and 3.3% of our total revenues during the same periods, respectively.

Depreciation and Amortization of Other Assets

Depreciation and amortization of other assets represent depreciation charges for property and equipment and depreciation expense for leasehold improvements. For the years ended December 31, 2018, 2019 and 2020, depreciation and amortization of other assets amounted to RMB39.8 million, RMB92.5 million and RMB154.1 million, representing 3.7%, 3.7% and 5.0% of our total revenues during the same periods, respectively.

Advertising and Promotion Expenses

Advertising and promotion expenses primarily represent expenses incurred in connection with our marketing, branding and promotion activities, for details of which, see "Business – Branding and Marketing." For the years ended December 31, 2018, 2019 and 2020, advertising and promotion expenses amounted to RMB39.4 million, RMB67.5 million and RMB82.2 million, representing 3.6%, 2.7% and 2.7% of our total revenues during the same periods, respectively.

Delivery Service Fees

Delivery service fees represent fees paid by us to third-party delivery service providers. During the Track Record Period, we partnered with reputable third-party delivery companies to fulfill our customer delivery orders, which allows our customers to enjoy our quality freshly-made tea drinks, baked goods and other products at work or at home. For details, see "Business – The *Nayuki* Customer Experience – Delivered at Your Doorstep." For the years ended December 31, 2018, 2019 and 2020, delivery service fees amounted to RMB10.8 million, RMB64.4 million and RMB167.4 million, representing 1.0%, 2.6% and 5.5% of our total revenues during the same periods, respectively.

Utilities Expenses

Utilities expenses consist primarily of expenses in relation to electricity utilities, and to a lesser extent, gas and water utilities that are attributable to the operation of our teahouses. For the years ended December 31, 2018, 2019 and 2020, utilities expenses amounted to RMB23.6 million, RMB51.7 million and RMB66.9 million, respectively, representing 2.2%, 2.1% and 2.2% of our total revenues during the same periods.

Logistic and Storage Fees

Logistic and storage fees represent fees paid by us to third-party service providers for raw materials transportation and warehousing services. During the Track Record Period, we collaborated with reliable third-party logistics partners to transport raw materials that we procure directly to our teahouses or to our warehouses for centralized inventory management and subsequent dispatch. During the Track Record Period and up to the Latest Practicable Date, we leased nine warehouses from third parties, to whom we paid warehousing service fees. For details, see "Business – Logistics and Warehousing." For the years ended December 31, 2018, 2019 and 2020, logistics and storage fees amounted to RMB12.0 million, RMB39.9 million and RMB56.7 million, representing 1.1%, 1.6% and 1.9% of our total revenues during the same periods, respectively.

Finance Costs

Finance costs consist primarily of interests on bank loans, redeemable capital contributions, lease liabilities and provisions. The following table sets forth the components of our finance costs in absolute amounts and as percentages of total revenues for the periods indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Interest on bank loans	1,121	0.1	440	0.0	7,924	0.3
Interest on redeemable capital contributions	13,149	1.2	27,945	1.1	38,249	1.3
Interest on lease liabilities	31,576	2.9	67,195	2.7	83,234	2.7
Interest on provisions	314	0.0	605	0.0	851	0.0
Total	46,160	4.2	96,185	3.8	130,258	4.3

Other Expenses

Other expenses consist primarily of (i) administrative expenses incurred during our ordinary course of business, such as telecommunication expenses and maintenance expenses, (ii) travelling and business development expenses incurred by our employees, (iii) other-party service fees representing costs associated with third-party management consulting and other professional services, (iv) impairment losses, (v) listing expenses, and (vi) others, such as insurance fees and other tax and surcharges. The following table sets forth the components of our other expenses in absolute amounts and as percentages of total revenues for the periods indicated.

	For the year ended December 31,					
	2018		2019		2020	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*
	(in thousands, except for percentages)					
Administrative expenses	9,100	0.8	22,124	0.9	45,213	1.5
Travelling and business development expenses	11,600	1.1	21,655	0.9	17,990	0.6
Other-party service fees	10,205	0.9	11,506	0.4	25,906	0.8
Impairment losses	6,356	0.6	12,207	0.5	3,802	0.1
Listing expenses	–	–	–	–	11,410	0.4
Others	7,283	0.7	12,775	0.5	19,334	0.6
Total	44,544	4.1	80,267	3.2	123,655	4.0

Other-party Service Fees

Other-party service fees consist primarily of (i) business operations advisory service fees, mainly representing fees paid to third-party consulting service providers and intellectual property agencies and Fucheng in relation to our day-to-day business operations, (ii) business development service fees, mainly representing fees paid to third-party management consulting and accounting service providers in relation to our teahouse network expansion across China and overseas, and (iii) general advisory service fees comprising fees and expenses paid to (a) our legal advisors, audit firm and industry consultant in relation to our proposed overseas offering before the commencement of the Global Offering, and (b) management consulting firms and other corporate consultants for their corporate administrative services. The following table sets forth the components of our other-party service fees for the periods indicated.

	For the year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Business operations advisory service fees	7,343	8,301	15,925
Business development service fees	2,862	523	2,212
General advisory service fees	–	2,682	7,769
Total	10,205	11,506	25,906

Other-party service fees increased from RMB10.2 million in 2018 to RMB11.5 million in 2019, primarily due to an incurrence of general advisory service fees of RMB2.7 million. Other-party service fees further increased to RMB25.9 million in 2020, primarily attributable to (i) recognition of business operations advisory service fees of RMB5.5 million due to the uncreditable input value-added tax as a result of a non-recurring income from output value-added tax exemption granted by local governments in response to the COVID-19 outbreak, (ii) an RMB5.1 million increase in general advisory service fees recognized in 2020, (iii) an RMB3.8 million increase in business operations advisory service fees incurred in connection with the management and consultation services for our delivery platforms provided by Fucheng, which is an associate of Ms. Peng, our executive Director and Controlling Shareholder. For details of our transactions with Fucheng, see the sections headed "Relationship with the Controlling Shareholders," and "Connected Transactions," and (iv) an RMB2.1 million increase in business development service fees incurred in relation to our *Nayuki* teahouse in Japan.

Income Tax

We recorded income tax benefits of RMB3.0 million in 2019, as compared to income tax expenses of RMB22.3 million in 2018. For the year ended December 31, 2020, we reported income tax expenses of RMB13.2 million. As of the Latest Practicable Date, we had not have any material dispute with any tax authority.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in the Cayman Islands, the British Virgin Islands, Hong Kong and the PRC.

Cayman Islands

We are incorporated in the Cayman Islands. Under the current law of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

British Virgin Islands

Our subsidiary incorporated in the British Virgin Islands is not subject to income or capital gains tax under the current laws of the British Virgin Islands. The British Virgin Islands do not impose a withholding tax on dividends.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong's two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million.

PRC

Our subsidiaries incorporated in China are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, or the EIT Law, which became effective on January 1, 2008 and was last amended on December 29, 2018, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. For example, enterprises qualified as "High and New Technology Enterprises" are entitled to a 15% enterprise income tax rate rather than the 25% uniform statutory tax rate. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Loss for the Year

As a result of the foregoing, we reported loss for the year of RMB69.7 million, RMB39.7 million and RMB203.3 million, respectively, for the years ended December 31, 2018, 2019 and 2020.

PATH TO PROFITABILITY

We expect to further improve our financial performance and achieve profitability in the near future through continuous revenue growth and improved cost efficiency:

Driving Continuous Revenue Growth

During the Track Record Period, our revenues increased significantly from RMB1,086.8 million in 2018 to RMB2,501.5 million in 2019, and further to RMB3,057.2 million in 2020, representing a CAGR of 67.7% from 2018 to 2020. As we generate revenues mainly from sales of freshly-made tea drinks, baked goods and other products to customers in our teahouses and through online ordering and delivery, the sustainable, rapid growth of our revenues primarily hinges upon (i) the number of teahouses within our teahouse network, and (ii) the level of average daily sales per teahouse.

Number of Teahouses

During the Track Record Period, we continued to expand our *Nayuki* teahouse network rapidly across different tiers of Chinese cities by leveraging our brand reputation established based on our initial success in Shenzhen and a few other Chinese cities, with the total number of *Nayuki* teahouses growing from 155 as of December 31, 2018 to 327 as of December 31, 2019 and further to 491 as of December 31, 2020.

To drive our overall revenue growth and achieve long-term profitability at scale, we expect to open approximately 300 and 350 *Nayuki* teahouses in 2021 and 2022, respectively, primarily in Tier 1 cities and New Tier 1 cities, thereby further expanding our customer coverage and increasing our product sales, particularly through the introduction of *Nayuki PRO* teahouses which are purposefully designed to cover more diversified consumption scenarios in more diversified locations. We believe, based on thorough market analyses, that such teahouse network expansion plan is supported by strong customer demands. For a detailed analysis illustrating such favorable industry trends, see the section headed "Business – Our *Nayuki* Premium Modern Teahouses – Teahouse Network Management – Recent and Planned Expansion."

Level of Average Daily Sales per Teahouse

During the Track Record Period, average daily sales per teahouse for *Nayuki* were RMB30.7 thousand, RMB27.7 thousand and RMB20.2 thousand in 2018, 2019 and 2020, respectively. The deterioration of average daily sales per teahouse for *Nayuki* during the Track Record Period was primarily attributable to a combination of the following reasons: (i) initial brand and new store effects when *Nayuki* taps into a new market/city, followed by a normalizing growth trajectory, and (ii) widely dispersed customer visits and orders. The decrease in average daily sales per teahouse for *Nayuki* in 2020 was also due to the impact of the COVID-19 outbreak. For a detailed analysis of the operating performance of our *Nayuki* teahouses during the Track Record Period, see "Business – Our *Nayuki* Premium Modern Teahouses – Our *Nayuki* Teahouse Performance."

The decrease of average daily sales per teahouse for *Nayuki* during the Track Record Period, to varying extent, conforms to a normal growth trajectory at an initial stage of *Nayuki* teahouses in an existing market, as is also consistent with other comparable premium teahouse brands according to CIC. In a relatively mature market like Shenzhen, where we had 54 and 76 *Nayuki* teahouses as of December 31, 2018 and 2019, we managed to record stable average daily sales of RMB26.8 thousand and RMB26.0 thousand in 2018 and 2019, respectively. As of December 31, 2020, the number of our *Nayuki* teahouses in Shenzhen further grew to 91, and we achieved a post-pandemic average daily sales of RMB24.3 thousand in the second half of 2020.

We have been and will continue driving sales of our products through (i) continued product innovations, expanding product offerings and attractive cross-selling opportunities, (ii) penetration into new retail channels to increase online and offline sales, (iii) cost-effective marketing and promotion activities, (iv) broadened customer reach, vast and expanding customer base, and improved customer experience, to capture significant market potential as outlined in the section headed "Industry Overview" in this Prospectus. For details, see "Business – Our Growth Strategies."

Driving Continued Revenue Growth through Rapid Teahouse Network Expansion

To drive continuous revenue growth while eventually achieving sustainable profitability at scale, we prudently manage the dynamic balance of the number of teahouses and level of average daily sales per teahouse, among other strategic and commercial considerations. With that being said, we are required to implement different business strategies and decisions at our different growth stages and within different cities.

As a young modern teahouse brand (compared to more established global coffee chains with decades of expansion history and an extensive store network), we are still in the nascent stage of growth. During such times, it is imperative for us to scale the sales network and enhance brand awareness, especially based on the management's observation that when a premium teahouse brand successfully establishes its brand reputation and secures leading market shares, such brand will be in a better position to capitalize on favorable industry trends in tea consumption by the rising young generations of customers.

In sum, we believe that it is vital for us to drive continuous overall revenue growth by way of rapid teahouse network expansion in order to achieve sustainable profitability at scale in the long term.

Reducing Costs and Expenses as Percentage of Revenue

Headquarters-Level Costs and Expenses

Historically, we have made substantial initial investments at headquarters, with a goal to lay a solid foundation for our rapid business growth. Such investments include but not limited to: (i) building a robust IT infrastructure and enhancing technology capabilities to improve operational efficiency in the long term at both store and headquarters levels, (ii) maintaining a talent pool for our nationwide expansion, and (iii) optimizing the internal organization structure that supports our rapidly growing business scale. In particular, we incurred IT infrastructure costs of RMB4.1 million, RMB15.2 million and RMB46.4 million in 2018, 2019 and 2020, respectively, which consisted primarily of staff cost, and software service and maintenance fees recognized as other expenses. We believe that, as we continue to rapidly ramp up our business scale across China, it is imperative to build a robust IT infrastructure and enhance technology capabilities to improve operational efficiency at both store and headquarters levels in order to achieve long-term profitable growth at scale. For details of the strategic considerations in and benefits of our continuous investment in IT infrastructure, see "Business – Our Growth Strategies – Further improve overall operations through enhancing our technology capabilities." As we continue to scale, we expect our headquarters-level costs and expenses as a percentage of revenue to continue decreasing.

Given both our *Nayuki* and *Tai Gai* teahouses, each brand as a whole, had delivered positive operating profit at the store level during the Track Record Period and up to the Latest Practicable Date, we will be able to achieve overall profitability as long as the profit generated by our teahouses at the store level could cover all the headquarters-level costs and expenses. Towards this goal, we believe that, as we continue to scale our business, we will enjoy improved economies of scale by reducing the costs and expenses incurred at the headquarters level that are proportionately allocated to each teahouse, thereby lowering the breakeven point to achieve overall profitability in the long term.

Store-Level Costs and Expenses

At store level, *Nayuki* teahouses had already delivered positive operating profit during the Track Record Period.

Operating profit for *Nayuki* teahouses amounted to RMB172.1 million and RMB373.9 million in 2018 and 2019, and RMB351.2 million in 2020 amidst the COVID-19 outbreak, respectively, which represented an operating profit margin of 18.9%, 16.3% and 12.2% in 2018, 2019 and 2020. For a detailed analysis of our operating profit and profit margin at the store level, see "Business – Our Teahouse Brands."

As we continue to scale our business, we seek to efficiently manage our costs and expenses incurred at the store level as a percentage of revenue through improving economies of scale, as further discussed in details below. Historically, we have made substantial initial investments to drive rapid growth of our teahouse network and enhance brand awareness, which we believe were indispensable in order to establish strong competitive advantages and capitalize on attractive market opportunities for our long-term profitable growth. For example, since we commenced operation, we have invested heavily in rental expenses to secure premium premises in upscale shopping malls to attract customer traffic and build brand awareness. Such investment as a percentage of revenue is expected to reduce as we continue to ramp up our scale to improve economies of scale.

Set forth below is an analysis of our major costs and expenses incurred at store level:

Store-level Staff Cost for Nayuki

Store-level staff cost for *Nayuki* represents compensation and other cost of our in-store staff of our *Nayuki* teahouses. During the Track Record Period, store-level staff cost as a percentage of revenue decreased from 23.9% in 2018 to 22.8% in 2020, primarily because the average number of less in-store staff at existing teahouses gradually returned to a normalized level since there was need for such existing teahouses to retain a large talent pool for a significant number of new *Nayuki* teahouses as the density of teahouse network increased. Additionally, the decrease in staff cost as a percentage of revenue over time was also attributable to (i) automated and optimized in-store operation, and (ii) increased in-store staff's efficiency as a result of streamlined operation and established and effective training system.

In addition, with the launch of *Nayuki PRO*, a new teahouse format, in November 2020, we will benefit from more optimized store operations and more streamlined store layouts offered by *Nayuki PRO* teahouses to efficiently operate our teahouse network with fewer in-store staff. In February 2021, the average number of in-store staff at our existing *Nayuki PRO* teahouses was approximately 13, which is lower than the average number of 22 of regular *Nayuki* teahouses during the same period.

As we open more *Nayuki PRO* teahouses, and continue our efforts to improve the in-store operational efficiency mentioned above, we expect to further reduce staff cost as a percentage of revenue.

Store-level Rental Expenses for Nayuki

During the Track Record Period, store-level rental expenses for *Nayuki*, which equal to the sum of depreciation of right-of-use assets and other rentals and related expenses with respect to our *Nayuki* teahouses, as a percentage of revenue decreased from 16.1% in 2018 to 14.7% in 2019 and further to 14.3% in 2020, primarily due to the decreased rent for new *Nayuki* teahouses as we continued to leverage *Nayuki*'s increasing brand recognition to improve our bargaining power and negotiate more favorable lease terms.

With a growing network of *Nayuki PRO teahouses* in the future, we expect the rental expenses as a percentage of revenue to further decrease as a result of *Nayuki PRO* teahouses' locations, which are typically situated in office buildings and residential neighborhoods where the rents are expected to be generally lower as compared to upscale shopping malls.

Cost of Materials

During the Track Record Period, cost of materials as a percentage of revenue was 35.3%, 36.6% and 33.2% (for the sake of meaningful comparison among each year throughout the Track Record Period, cost of materials as a percentage of revenue in 2020 presented herein eliminates the impact of the relevant accounting treatments with respect to the one-off preferential output value-added tax exemption in 2020) in 2018, 2019 and 2020, respectively. The fluctuation in cost of materials during the Track Record Period was primarily driven by the following reasons: (i) enhanced investments in procuring fine ingredients for freshly-made tea drinks to offer an enjoyable tea drinking experience to customers, and (ii) fluctuation of raw materials prices.

As we continued to scale, we believe that it is able to efficiently manage cost of materials as a percentage of revenue by implementing the following measures:

- continuing the efforts to source major ingredients directly from their regions of origin and enhance the collaborations with suppliers to secure competitive pricing of raw materials;
- leveraging centralized procurement and strong brand recognition to increase bargaining power over raw materials suppliers, thereby optimizing procurement costs;
- upgrading our inventory management and other in-store operation systems for more accurate inventory forecasting and effective inventory management to limit overall wastage and improve cost efficiency; and
- constantly monitoring the market prices of raw materials and optimize inventory levels accordingly.

Based on the foregoing, our Directors and the Joint Sponsors believe that our Group has a sustainable business. The foregoing 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. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the 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. For related risks, see "Risk Factors – Risks Relating to our Business and Industry – If we are unable to successfully manage our rapid growth, our business and prospects may be materially and adversely affected," and "Risk Factors – Risks Relating to our Business and Industry – We may not be successful in operating our teahouses effectively."

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenues

Our revenues were RMB3,057.2 million for the year ended December 31, 2020, representing a 22.2% increase from RMB2,501.5 million for the year ended December 31, 2019. Revenues generated from *Nayuki* teahouses increased from RMB2,291.5 million for the year ended December 31, 2019 to RMB2,870.9 million for the year ended December 31, 2020. The revenue growth of our *Nayuki* teahouses was primarily due to (i) the increase in the number of *Nayuki* teahouses we operated from 327 for the year of 2019 to 491 for the year of 2020, and (ii) the associated increase in the number of orders placed by our *Nayuki* customers during such periods from 53.2 million for the year of 2019 to 66.8 million for the year of 2020, as a result of our continued product innovations, improved customer experience, and *Nayuki*'s increasing brand recognition.

Freshly-made tea drinks

Our revenues from freshly-made tea drinks were RMB2,322.8 million, representing 76.0% of total revenues for the year ended December 31, 2020, compared to RMB1,824.2 million, or 72.9% of total revenues for the year ended December 31, 2019. Such increase was primarily as a result of the *Nayuki* teahouse network expansion, continued product innovations, as well as *Nayuki*'s increasing brand recognition among customers throughout mainland China. The portion of total revenues contributed by freshly-made tea drinks increased over the periods as the growth of sales of our freshly-made tea drinks outpaced that of our baked goods and other products. This was primarily due to the increased customer acceptance of our freshly-made tea drinks as a result of our continued product innovations and increasing brand awareness.

Baked goods

Our revenues from baked goods were RMB667.4 million, representing 21.8% of total revenues for the year ended December 31, 2020, compared to RMB632.8 million, or 25.3% of total revenues for the year ended December 31, 2019. Such increase in revenues was primarily as a result of the *Nayuki* teahouse network expansion, increasing brand awareness, continued product innovation, as well as acceptance by customers of our tea-baked goods pairing concept.

Other products

Our revenues from other products were RMB66.9 million, representing 2.2% of total revenues for the year ended December 31, 2020, compared to RMB44.5 million, or 1.8% of total revenues for the year ended December 31, 2019. Such revenue growth was generally in line with our business growth over the periods.

Other income

Our other income increased by 3,575.1% from RMB5.6 million for the year ended December 31, 2019 to RMB206.0 million for the year ended December 31, 2020, primarily due to (i) an RMB180.3 million increase in a non-recurring income from output value-added tax exemption granted by local governments in response to the COVID-19 outbreak, (ii) an RMB17.3 million increase in government grants including subsidies and tax benefits from local governments, which was generally in line with our overall business expansion, and (iii) an RMB2.8 million increase in interest income mainly due to the increased rental deposits. Although we recorded the non-recurring income of RMB180.3 million from output value-added tax exemption, we, at the same time, also recorded (i) cost of materials of RMB145.3 million, and (ii) operating expenses of approximately RMB27.1 million allocated to expenses of different natures, because the corresponding input value-added tax that we had already paid was left uncreditable upon such output value-added tax exemption. As a result, we only benefited by a net amount of RMB7.9 million from the one-off output value-added tax exemption in 2020.

Cost of materials

Our cost of materials was RMB1,159.3 million, representing 37.9% of total revenues for the year ended December 31, 2020, compared to RMB915.7 million, or 36.6% of total revenues for the year ended December 31, 2019. The 26.6% increase in our cost of materials over the periods was generally in line with our overall business expansion. The proportion of cost of materials over total revenues increased primarily due to the effect of accounting treatments. In 2020, we benefited from the output value-added tax exemption granted by the local governments in response to the COVID-19 outbreak, which was recorded as other income. Due to such one-off preferential output value-added tax exemption, the uncreditable input value-added tax of approximately RMB145.3 million was recorded as cost of materials, which resulted in an inflated cost of materials for the year ended December 31, 2020. Had we not benefited from the preferential output value-added tax exemption, we would not record such cost of materials incurred in connection with the corresponding uncreditable input value-added tax. Without the effect of such accounting treatments, the proportion of our cost of materials over total revenues would be approximately 33.2% for the year ended December 31, 2020, as compared to that of 36.6% for the year ended December 31, 2019.

Staff costs

Our staff costs were RMB919.1 million, representing 30.1% of total revenues for the year ended December 31, 2020, compared to RMB750.7 million, or 30.0% of total revenues for the year ended December 31, 2019. The 22.4% increase in staff costs over the periods was primarily due to the increase of staff headcount from 7,856 as of December 31, 2019 to 9,069 as of December 31, 2020, which was generally in line with our overall business expansion. The proportion of staff costs over total revenues remained relatively stable during the periods.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets was RMB352.9 million, representing 11.5% of total revenues for the year ended December 31, 2020, compared to RMB261.4 million, or 10.5% of total revenues for the year ended December 31, 2019. The 35.0% increase in depreciation of right-of-use assets over the periods was generally in line with the increased number of our *Nayuki* teahouses. The proportion of depreciation of right-of-use assets over total revenues increased primarily because our revenue growth slowed down as a result of the decreased sales amid the COVID-19 outbreak.

Other rentals and related expenses

Our other rentals and related expenses were RMB100.6 million, representing 3.3% of total revenues for the year ended December 31, 2020, compared to RMB127.4 million, or 5.1% of total revenues for the year ended December 31, 2019. The 21.0% decrease in other rentals and related expenses over the periods was primarily due to a deduction in rent given by property owners during the COVID-19 outbreak. The proportion of other rentals and related expenses over total revenues decreased primarily due to the decreased rent for our newly opened *Nayuki* teahouses as we continued to (i) penetrate into commercial areas outside of central business districts in top tier cities, as well as regional markets across China, where the rental cost level is typically lower, and (ii) leverage our increasing brand recognition to improve our bargaining power and optimize the rental terms.

Depreciation and amortization of other assets

Our depreciation and amortization of other assets was RMB154.1 million, representing 5.0% of total revenues for the year ended December 31, 2020, compared to RMB92.5 million, or 3.7% of total revenues for the year ended December 31, 2019. The 66.6% increase in depreciation and amortization of other assets over the periods was primarily attributable to the increased depreciation of leasehold improvements and the increased purchases of teahouse equipment, which was generally in line with the increased number of our *Nayuki* teahouses.

The proportion of depreciation and amortization of other assets over total revenues increased primarily because our *Nayuki* teahouse network expansion had temporarily outpaced our revenue growth amid the COVID-19 outbreak.

Advertising and promotion expenses

Our advertising and promotion expenses were RMB82.2 million, representing 2.7% of total revenues for the year ended December 31, 2020, compared to RMB67.5 million, or 2.7% of total revenues for the year ended December 31, 2019. The 21.8% increase in advertising and promotion expenses over the periods was primarily due to our marketing and promotion activities for our newly opened *Nayuki* teahouses and new product launches, as well as our enhanced branding efforts in general. The proportion of advertising and promotion expenses over total revenues remained stable during the periods.

Delivery service fees

Our delivery service fees were RMB167.4 million, representing 5.5% of total revenues for the year ended December 31, 2020, compared to RMB64.4 million, or 2.6% of total revenues for the year ended December 31, 2019. The 159.7% increase in delivery service fees over the periods was primarily due to the surge in number of *Nayuki* delivery orders over the periods. The number of *Nayuki* delivery orders increased significantly from 6.7 million for the year ended December 31, 2019 to 15.3 million for the year ended December 31, 2020, which was primarily attributable to social distancing, quarantines and lockdowns during the COVID-19 outbreak. Accordingly, the proportion of delivery service fees over total revenues also experienced a significant increase in 2020.

Utilities expenses

Our utilities expenses were RMB66.9 million, representing 2.2% of total revenues for the year ended December 31, 2020, compared to RMB51.7 million, or 2.1% of total revenues for the year ended December 31, 2019. The 29.5% increase in utilities expenses over the periods was primarily due to our *Nayuki* teahouse network expansion, which was generally in line with our overall business growth. The proportion of utilities expenses over total revenues remained stable during the periods.

Logistic and storage fees

Our logistic and storage fees were RMB56.7 million, representing 1.9% of total revenues for the year ended December 31, 2020, compared to RMB39.9 million, or 1.6% of total revenues for the year ended December 31, 2019. The 42.2% increase in logistic and storage fees over the periods was primarily due to the increased warehousing service fees as we leased additional warehouses in 2020 to support our expanded business operation and broadened geographic footprints across mainland China. The proportion of logistic and storage fees over total revenues increased in 2020, primarily because the increase of logistic and storage fees temporarily outpaced that of our total revenues as we rapidly expanded the geographic reach of our *Nayuki* teahouses across mainland China.

Finance costs

Our finance costs increased by 35.4% from RMB96.2 million for the year ended December 31, 2019 to RMB130.3 million for the year ended December 31, 2020, primarily due to (i) an RMB16.0 million increase in interest on lease liabilities as we entered into more leases for our *Nayuki* teahouses as a result of our *Nayuki* teahouse network expansion, and (ii) an RMB17.8 million increase in interest on bank loans and redeemable capital contributions collectively.

Other expenses

Our other expenses increased by 54.1% from RMB80.3 million for the year ended December 31, 2019 to RMB123.7 million for the year ended December 31, 2020, primarily due to (i) an RMB23.1 million increase in administrative expenses, which was generally in line with our overall business growth, and (ii) an RMB14.4 million increase in other-party service fees, and (iii) and RMB11.4 million increase in listing expenses.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenues

Our revenues were RMB2,501.5 million in 2019, representing a 130.2% increase from RMB1,086.8 million in 2018. Revenues generated from *Nayuki* teahouses increased from RMB909.5 million in 2018 to RMB2,291.5 million in 2019. The revenue growth of our *Nayuki* teahouses was primarily due to (i) the increase in the number of *Nayuki* teahouses we operated from 155 in 2018 to 327 in 2019, and (ii) the associated increase in the number of orders placed by our *Nayuki* customers during such periods from 21.2 million in 2018 to 53.2 million in 2019, as a result of our continued product innovations, improved customer experience, and *Nayuki*'s increasing brand recognition.

Freshly-made tea drinks

Our revenues from freshly-made tea drinks were RMB1,824.2 million, representing 72.9% of total revenues in 2019, compared to RMB790.9 million, or 72.8% of total revenues in 2018. Such increase was primarily as a result of the *Nayuki* teahouse network expansion, continued product innovations, as well as *Nayuki*'s increasing brand recognition among customers throughout mainland China. The portion of total revenues contributed by freshly-made tea drinks remained relatively stable during the periods.

Baked goods

Our revenues from baked goods were RMB632.8 million, representing 25.3% of total revenues in 2019, compared to RMB266.3 million, or 24.5% of total revenues in 2018. Such increase was primarily as a result of the *Nayuki* teahouse network expansion, increasing brand awareness, continued product innovation, as well as acceptance by customers of our tea-baked goods pairing concept.

Other products

Our revenues from other products were RMB44.5 million, representing 1.8% of total revenues for the year ended December 31, 2019, compared to RMB29.6 million, or 2.7% of total revenues for the year ended December 31, 2018. Such revenue growth was generally in line with our business growth over the periods.

Other income

Our other income increased by 121.9% from RMB2.5 million in 2018 to RMB5.6 million in 2019, which was mainly due to (i) an RMB2.7 million increase in interest income primarily as a result of the increased rental deposits due to our teahouse network expansion in 2019, and (ii) an RMB0.3 million increase in government grants including subsidies and tax benefits from local governments, which was generally in line with our overall business expansion.

Cost of materials

Our cost of materials was RMB915.7 million, representing 36.6% of total revenues in 2019, compared to RMB384.0 million, or 35.3% of total revenues in 2018. The 138.5% increase in our cost of materials from 2018 to 2019 was generally in line with our overall business expansion. The proportion of cost of materials over total revenues increased primarily due to our enhanced investments in procuring fine ingredients for our freshly-made tea drinks to offer an enjoyable tea drinking experience to our customers. To a lesser extent, the increase in the proportion of cost of materials over total revenues was also attributable to the rising raw materials price in 2019 as compared to that in 2018.

Staff costs

Our staff costs were RMB750.7 million, representing 30.0% of total revenues in 2019, compared to RMB340.2 million, or 31.3% of total revenues in 2018. The 120.7% increase in staff costs from 2018 to 2019 was primarily due to the increase of staff headcount from 5,087 as of December 31, 2018 to 7,856 as of December 31, 2019, which was generally in line with our overall business expansion. The proportion of staff costs over total revenues remained relatively stable during the periods.

Depreciation of right-of-use assets

Our depreciation of right-of-use assets was RMB261.4 million, representing 10.5% of total revenues in 2019, compared to RMB120.4 million, or 11.1% of total revenues in 2018. The 117.2% increase in depreciation of right-of-use assets from 2018 to 2019 was generally in line with the increased number of our *Nayuki* teahouses. The proportion of depreciation of right-of-use assets over total revenues decreased primarily due to the decreased rent for our newly opened *Nayuki* teahouses as we continued to (i) penetrate into commercial areas outside of central business districts in top tier cities as well as regional markets across mainland China, where the rental level is typically lower, and (ii) leverage our increasing brand recognition to improve our bargaining power and optimize the rental terms.

Other rentals and related expenses

Our other rentals and related expenses were RMB127.4 million, representing 5.1% of total revenues in 2019, compared to RMB73.2 million, or 6.7% of total revenues in 2018. The 74.0% increase in other rentals and related expenses from 2018 to 2019 was due to our *Nayuki* teahouse network expansion. The proportion of other rentals and related expenses over total revenues decreased primarily due to the decreased rent for our newly opened *Nayuki* teahouses as we continued to (i) penetrate into commercial areas outside of central business districts in top tier cities as well as regional markets across mainland China, where the rental level is typically lower, and (ii) leverage our increasing brand recognition to improve our bargaining power and optimize the rental terms.

Depreciation and amortization of other assets

Our depreciation and amortization of other assets was RMB92.5 million, representing 3.7% of total revenues in 2019, compared to RMB39.8 million, or 3.7% of total revenues in 2018. The 132.2% increase in depreciation and amortization of other assets from 2018 to 2019 was primarily attributable to the increased depreciation of leasehold improvements and the increased purchases of teahouse equipment, which was generally in line with the increased number of our *Nayuki* teahouses. The proportion of depreciation and amortization of other assets over total revenues remained stable over the periods.

Advertising and promotion expenses

Our advertising and promotion expenses were RMB67.5 million, representing 2.7% of total revenues in 2019, compared to RMB39.4 million, or 3.6% of total revenues in 2018. The 71.3% increase in advertising and promotion expenses from 2018 to 2019 was primarily due to our marketing and promotion activities for our newly opened *Nayuki* teahouses and new product launches, as well as our enhanced branding efforts in general. The proportion of advertising and promotion expenses over total revenues decreased primarily as a result of *Nayuki*'s increasing brand recognition and increasing marginal utility of marketing efforts attributable to our improved economies of scale.

Delivery service fees

Our delivery service fees were RMB64.4 million, representing 2.6% of total revenues in 2019, compared to RMB10.8 million, or 1.0% of total revenues in 2018. The 496.3% increase in delivery service fees from 2018 to 2019 was primarily because we started to offer our *Nayuki* products through third-party online platforms in the second half of 2018 and rapidly ramped up our delivery business in 2019. The number of our *Nayuki* delivery orders increased significantly from 0.9 million in 2018 to 6.7 million in 2019. Accordingly, the proportion of delivery service fees over total revenues also experienced a significant increase in 2019.

Utilities expenses

Our utilities expenses were RMB51.7 million, representing 2.1% of total revenues in 2019, compared to RMB23.6 million, or 2.2% of total revenues in 2018. The 119.1% increase in utilities expenses from 2018 to 2019 was primarily due to our *Nayuki* teahouse network expansion, which was generally in line with our overall business growth. The proportion of utilities expenses over total revenues remained stable during the periods.

Logistic and storage fees

Our logistic and storage fees were RMB39.9 million, representing 1.6% of total revenues in 2019, compared to RMB12.0 million, or 1.1% of total revenues in 2018. The 232.5% increase in logistic and storage fees from 2018 to 2019 was primarily due to the increased warehousing service fees as we leased additional warehouses in 2019 to support our expanded business operation and broadened geographic footprints across China. The proportion of logistic and storage fees over total revenues increased in 2019, primarily because the increase of logistic and storage fees temporarily outpaced that of our total revenues as we rapidly expanded the geographic reach of our *Nayuki* teahouses across mainland China.

Finance costs

Our finance costs increased by 108.4% from RMB46.2 million in 2018 to RMB96.2 million in 2019, primarily due to (i) an RMB35.6 million increase in interest on lease liabilities as we entered into more leases for our *Nayuki* teahouses as a result of our *Nayuki* teahouse network expansion, and (ii) an RMB14.8 million increase in interest on redeemable capital contributions.

Other expenses

Our other expenses increased by 80.4% from RMB44.5 million in 2018 to RMB80.3 million in 2019, primarily due to (i) an RMB13.0 million increase in administrative expenses, (ii) an RMB10.1 million increase in traveling and business development expenses, and (iii) an RMB5.9 million increase in impairment losses, all of which were generally in line with our overall business expansion over the periods.

Income tax

We recorded income tax benefits of RMB3.0 million in 2019, as compared to income tax expenses of RMB22.3 million in 2018, primarily because we recognized certain deductible losses as deferred tax assets in 2019.

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

The table below sets forth selected information from our combined statements of financial position as of the dates indicated, which have been extracted from our combined financial statements included in Appendix I to this Prospectus.

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Total non-current assets	1,058,585	1,756,052	1,984,191
Total current assets	284,708	295,096	1,329,918
Total assets	1,343,293	2,051,148	3,314,109
Total non-current liabilities	(603,405)	(974,180)	(1,010,335)
Total current liabilities	(849,671)	(1,226,434)	(2,728,191)
Total liabilities	(1,453,076)	(2,200,614)	(3,738,526)
Net current liabilities	(564,963)	(931,338)	(1,398,273)
Net liabilities	(109,783)	(149,466)	(424,417)
Share capital	100	100	422
Reserves	(107,356)	(146,258)	(424,839)
Non-controlling interests	(2,527)	(3,308)	–
Total deficit	(109,783)	(149,466)	(424,417)

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2018	2019	2020	2021
	(RMB in thousands)			
				(Unaudited)
Current assets				
Inventories	37,674	77,753	103,061	125,311
Trade and other receivables	61,246	136,047	725,004	250,393
Restricted bank deposits	–	–	100	100
Cash and cash equivalents	185,788	81,296	501,753	685,590
Total current assets	284,708	295,096	1,329,918	1,061,394
Current liabilities				
Trade and other payables	(241,449)	(390,480)	(500,676)	(426,654)
Contract liabilities	(14,902)	(44,900)	(78,551)	(85,318)
Bank loans	(1,500)	(54,500)	(283,120)	(14,740)
Redeemable capital contributions	(410,115)	(438,060)	(465,309)	–
Financial liabilities at fair value through profit or loss	–	–	(361,881)	–
Convertible redeemable preferred shares	–	–	(652,490)	(2,632,224)
Lease liabilities (current portion)	(167,409)	(291,700)	(364,733)	(378,081)
Current taxation	(14,296)	(6,794)	(21,431)	(24,268)
Total current liabilities	(849,671)	(1,226,434)	(2,728,191)	(3,561,285)
Net current liabilities	(564,963)	(931,338)	(1,398,273)	(2,499,891)

We recorded net liabilities during the Track Record Period, which amounted to RMB109.8 million, RMB149.5 million and RMB424.4 million as of December 31, 2018, 2019 and 2020, respectively. Our net liabilities position as of each of these dates was primarily due to non-operational impact of our redeemable capital contribution, warrants, onshore loans, convertible note and convertible redeemable preferred shares in connection with our Series A, Series A+, Series B-1, Series B-2 and Series C investments. Once such redeemable capital contribution, warrants, onshore loans, convertible note and convertible redeemable preferred shares are converted into equity upon the Listing, our Group will return to a net assets position.

We had net current liabilities of RMB565.0 million, RMB931.3 million, RMB1,398.3 million and RMB2,499.9 million, as of December 31, 2018, 2019, 2020 and April 30, 2021. Our net current liabilities position as of each of these dates was primarily attributable to (i) our large redeemable capital contributions, warrants, onshore loan, convertible note and convertible redeemable preferred shares in connection with our Series A, Series A+, Series B-1, Series B-2 and Series C investments, and (ii) the retrospective adoption of IFRS 16 throughout the Track Record Period, and which led to a significant balance of current lease liabilities as of December 31, 2018, 2019 and 2020 and April 30, 2021. For further details, see "Risk Factors – Risks Relating to Our Business and Industry – We recorded net liabilities and net current liabilities as of December 31, 2018, 2019 and 2020."

Notwithstanding the above, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this Prospectus, taking into account cash generated from operating activities, secured financing from the rollover of our banking facilities, the investments from our Pre-IPO investors and the estimated net proceeds we expect to receive from this Global Offering, and also considering that the redemption and conversion rights of the above-mentioned redeemable capital contribution, warrants, onshore loan, convertible note and convertible redeemable preferred shares in connection with our Series A, Series A+, Series B-1, Series B-2 and Series C investments would be converted into equity upon the Listing.

Our net current liabilities increased from RMB565.0 million as of December 31, 2018 to RMB931.3 million as of December 31, 2019, primarily due to a decrease of cash and cash equivalents of RMB104.5 million, and the increases in trade and other payables of RMB149.0 million and current portion of lease liabilities of RMB124.3 million. The increase was partially offset by the increases in trade and other receivables of RMB74.8 million and inventories of RMB40.1 million.

Our net current liabilities increased from RMB931.3 million as of December 31, 2019 to RMB1,398.3 million as of December 31, 2020, primarily due to the increases in financial liabilities at fair value through profit or loss of RMB361.9 million, bank loans of RMB228.6 million, trade and other payables of RMB110.2 million and current portion of lease liabilities of RMB73.0 million. The increase was partially offset by the increases in cash and cash equivalents of RMB420.5 million, trade and other receivables of RMB589.0 million and inventories of RMB25.3 million.

Our net current liabilities increased from RMB1,398.3 million as of December 31, 2020 to RMB2,499.9 million as of April 30, 2021, primarily due to the increase in convertible redeemable preferred shares of RMB1,463.0 million due to the issue of our Series C Preferred Shares and the conversion of the note, warrants and onshore loans in connection with our Series A, Series A+, Series B-1 and Series B-2 investments. Accordingly, both of our financial liabilities at fair value through profit or loss and redeemable capital contributions as of December 31, 2020 had reduced to nil as of April 30, 2021. The increase was partially offset by an increase in cash and cash equivalents of RMB391.6 million.

Right-of-Use Assets

Our right-of-use assets primarily represent the leases for our teahouses, office at headquarters and warehouses. We recorded right-of-use assets of RMB726.8 million, RMB1,170.4 million and RMB1,240.1 million as of December 31, 2018, 2019 and 2020, respectively. The increase in our right-of-use assets throughout the Track Record Period was generally in line with our overall business expansion.

Property and Equipment

Our property and equipment consist primarily of leasehold improvements, kitchen equipment, furniture equipment, electronic equipment and others and construction in progress. The following table sets forth our property and equipment as of the dates indicated.

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Leasehold improvements	153,901	262,468	344,421
Kitchen equipment	56,825	107,482	144,719
Furniture equipment	16,602	27,896	37,242
Electronic equipment and others	20,563	37,909	52,164
Construction in progress	6,130	14,853	8,570
Total	254,021	450,608	587,116

Our property and equipment increased by 77.4% from RMB254.0 million as of December 31, 2018 to RMB450.6 million as of December 31, 2019, and further by 30.3% to RMB587.1 million as of December 31, 2020, which was primarily attributable to our *Nayuki* teahouse network expansion and generally in line with our overall business growth.

Inventories

Our inventories consist primarily of raw materials and packaging materials.

We believe maintaining appropriate levels of inventories can help us fully address our customers' demands and achieve customer satisfaction without adversely affecting our liquidity. We have in place a set of policies and procedures to manage our inventories. For details, see "Business – Food Safety and Quality Control – Quality Control over Inventory and Storage."

The following table sets forth a summary of our inventory balances as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	(RMB in thousands)		
Raw materials	27,870	58,119	74,224
Packaging materials	9,804	19,634	28,837
Total	37,674	77,753	103,061

Our inventories increased by 106.4% from RMB37.7 million as of December 31, 2018 to RMB77.8 million as of December 31, 2019, and further by 32.5% to RMB103.1 million as of December 31, 2020, which was primarily due to the increased stock of both raw materials and packaging materials for our newly opened *Nayuki* teahouses as we continued to scale up our business to meet the increasing customers' demands of our products.

The following table sets forth an aging analysis of inventories by category as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	(RMB in thousands)		
Within one year			
– Raw materials	27,870	57,689	73,898
– Packaging materials	9,804	18,874	28,084
Over one years			
– Raw materials	–	430	326
– Packaging materials	–	760	753
	37,674	77,753	103,061

Raw materials with a shelf life of over one year are primarily tea leaves and certain condiments and toppings such as chocolate for our products.

The following table sets forth inventories turnover days for the periods indicated:

	For the year ended December 31,		
	2018	2019	2020
Inventories turnover days[(1)]	31.0	23.0	28.5

Note:

(1) Inventories turnover days are based on the average balance of inventories divided by cost of materials used for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days.

Inventories turnover days decreased from 31.0 days in 2018 to 23.0 days in 2019, primarily because we leased additional warehouses and engaged more local suppliers in different cities to serve our *Nayuki* teahouses across China, which significantly enhanced the efficiency of our inventory management and distribution. Inventories turnover days increased from 23.0 days in 2019 to 28.5 days in 2020, primarily attributable to the decreased cost of materials used during the same period caused by the temporarily declined customer demands reduced product sales during the COVID-19 outbreak. We expect our inventories turnover days to improve as our customer demands are back to a stable and normal level.

As of April 30, 2021, RMB80.0 million, or 77.5% of our inventories outstanding as of December 31, 2020 had been sold or utilized.

Trade and Other Receivables

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Trade receivables	1,761	901	816
Other receivables	59,485	134,527	723,882
Amount due from related parties	–	619	306
Total	61,246	136,047	725,004

Trade receivables

Our trade receivables consist primarily of receivables due from third parties in connection with the sales of our products. During the Track Record Period, we sold our *Nayuki* products, such as gift tea boxes and seasonal gift sets, to certain corporate customers.

Trade receivables decreased by 48.8% from RMB1.8 million as of December 31, 2018 to RMB0.9 million as of December 31, 2019, primarily due to several large settlements during 2019. Trade receivables remained relatively stable at RMB0.9 million as of December 31, 2019 and RMB0.8 million as of December 31, 2020, respectively.

The following table sets forth an aging analysis of our trade receivables based on the invoice date as of the dates indicated:

	For the year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Within one month	817	573	616
One to three months	547	247	32
Three to six months	397	81	122
Over one year	–	–	46
	1,761	901	816

The following table sets forth our trade receivables turnover days for the periods indicated:

	For the year ended December 31,		
	2018	2019	2020
Trade receivables turnover days[1]	0.3	0.2	0.1

Note:

(1) Trade receivables turnover days are based on the average balance of trade receivables divided by total revenues for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days.

Our trade receivables turnover days, which primarily reflect turnover of our receivables in connection with the sales of our *Nayuki* products to corporate customers, remained relatively stable at 0.3 days, 0.2 days and 0.1 days in 2018, 2019 and 2020, respectively.

As of April 30, 2021, RMB0.7 million, or 90.8% of our trade receivables outstanding as of December 31, 2020 had been collected.

Other receivables

Other receivables consist primarily of input valued-added tax recoverable in connection with purchase of raw materials, prepaid rents and property management fees, rental deposits within one year, advances to suppliers, and advances to employees consisting primarily of petty cash advanced to our teahouses and various internal corporate functions. The following table sets forth our other receivables as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Input valued-added tax recoverable	22,427	70,525	99,612
Income tax recoverable	45	1,419	605
Prepaid rents and property management fees	19,883	40,606	44,935
Advances to suppliers	9,901	4,713	13,242
Advances to employees	1,323	1,282	4,658
Receivables from shopping malls	922	1,870	2,399
Receivables from holders of Series C Preferred Shares	–	–	521,992
Receivables from exercised share options	–	–	10,008
Rental deposits within one year	744	5,259	10,409
Others	4,240	8,853	16,022
Total	59,485	134,527	723,882

Other receivables increased by 126.1% from RMB59.5 million as of December 31, 2018 to RMB134.5 million as of December 31, 2019, primarily due to (i) an RMB48.1 million increase in input valued-added tax recoverable and (ii) an RMB20.7 million increase in prepaid rents and property management fees we paid for our newly opened *Nayuki* teahouses as a result of our *Nayuki* teahouse network expansion.

Other receivables increased by 438.2% from RMB134.5 million as of December 31, 2019 to RMB723.9 million as of December 31, 2020, primarily due to (i) an RMB522.0 million increase in receivables from the Pre-IPO Investors of our Series C Preferred Shares, and (ii) an RMB29.1 million increase in input valued-added tax recoverable.

During the Track Record Period, we also invested in certain wealth management products, all of which we had redeemed as of December 31, 2020. The following table sets forth the details of our wealth management products during the Track Record Period:

	For the year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Payments for purchase of wealth management products			
– Non Principal-protected	–	–	30,000.00
	–	–	30,000.00

Product type	Industry	Level of risk *(Note 1)*	For the year ended December 31, 2018	2019	2020
			(RMB in thousands)		
Non Principal-protected	Banking industry	PR3	–	–	10,000.00
Non Principal-protected	Banking industry	PR3	–	–	5,000.00
Non Principal-protected	Banking industry	PR3	–	–	15,000.00
Total			–	–	30,000.00

Note:

1. PR3 refer to medium risk according to the classification set by the relevant financial institutions.

To monitor and control the investment risks associated with our wealth management product portfolio, we have adopted a comprehensive set of internal policies and guidelines to manage our investment in wealth management products. Supervised by Mr. Zhao, the Chairman of the Board who has been supervising our investment activities since the inception of our Group and was highly involved in our historical investments, our finance and legal departments propose, analyze and evaluate potential investment in wealth management products based on recommendations of our relationship and account managers at reputable banks in China. Prior to making any material investments in wealth management products or modifying our existing investment portfolio, the proposal shall be approved by Mr. Zhao and his designated senior member of our management. Our investment strategy related to wealth management products focuses on minimizing the financial risks by reasonably and conservatively matching the maturities of the portfolio to anticipated operating cash needs, while generating desirable investment returns for the benefits of our Shareholders. We primarily invest in wealth management products issued by major commercial banks in China with low to medium risks and a short-to mid-term of no more than one year. We make investment decisions related to wealth management products on a case-by-case basis after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, risk control and credit of issuing banks, our own working capital conditions, and the expected profit or potential loss of the investment. Going forward, we intend to invest in wealth management products with low/medium risks or low risks on a case by case basis if such products are in our Group's interest upon thorough evaluations and analyses. See also "Risk Factors – Risks Relating to Our Business and Industry – We had historically invested and may in the future invest in wealth management products that are subject to varying levels of investment risks."

As of April 30, 2021, RMB594.2 million, or 82.1% of our other receivables outstanding as of December 31, 2020 had been collected.

Amounts due from related parties

Amounts due from related parties primarily represent receivables from a beverage store in Shenzhen ("**Xinian Dalang**") in connection with the sales of packaging and raw materials to Xinian Dalang, and non-trade advances to Xinian Dalang in its day-to-day business operations. During the Track Record Period, we recorded such amounts due from related parties of nil, RMB0.6 million and RMB0.3 million as of December 31, 2018, 2019 and 2020, respectively. As of the Latest Practicable Date, Xinian Dalang had been closed down and deregistered and such amounts due from Xinian Dalang had been fully settled.

The table below sets forth the amounts due from related parties by nature as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Trade in nature			
– Xinian Dalang	–	84	306
Non-trade in nature			
– Xinian Dalang	–	535	–
Total	–	619	306

For further details, see Note 31 to the Accountants' Report set forth in Appendix I to this Prospectus.

Cash and Cash Equivalents

During the Track Record Period, we had cash and cash equivalents of RMB185.8 million, RMB81.3 million and RMB501.8 million as of December 31, 2018, 2019 and 2020. For an analysis of our cash flow during the Track Record Period, see "– Liquidity and Capital Resources – Cash Flow Analysis."

Trade and Other Payables

The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	(RMB in thousands)		
Trade payables	103,870	201,675	226,146
Other payables and accrued charges	107,778	167,126	257,711
Amounts due to related parties	29,801	21,679	16,819
Total	241,449	390,480	500,676

Trade Payables

Our trade payables consist primarily of trade payables to our raw materials suppliers.

Trade payables increased by 94.2% from RMB103.9 million as of December 31, 2018 to RMB201.7 million as of December 31, 2019, and further by 12.1% to RMB226.1 million as of December 31, 2020, which was primarily due to our increased procurement of various raw materials to support our expanded business operations.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	For the year ended December 31,		
	2018	2019	2020
	(RMB in thousands)		
Within one year	102,056	200,038	225,067
More than one year	1,814	1,637	1,079
	103,870	201,675	226,146

The following table sets forth our trade payables turnover days for the periods indicated:

	For the year ended December 31,		
	2018	2019	2020
Trade payables turnover days[(1)]	72.2	60.9	67.4

Note:

(1) Trade payables turnover days are based on the average balance of trade payables divided by cost of materials for the relevant period and multiplied by the number of days in the relevant period. Average balance is calculated as the average of the beginning balance and ending balance of a given period. The number of days for the years ended December 31 is 365 days.

Trade payables turnover days decreased from 72.2 days in 2018 to 60.9 days in 2019, primarily due to improved efficiency in payment settlement. Trade payables turnover days increased from 60.9 days in 2019 to 67.4 days for the year ended December 31, 2020, primarily due to prolonged inventory cycle for raw materials caused by the temporarily decreased and unstable customer demands during the COVID-19 outbreak.

As of April 30, 2021, RMB238.7 million, or 99.3% of our trade payables outstanding as of December 31, 2020 had been subsequently settled.

Other payables and accrued charges

We record other payables and accrued charges in connection with various aspects of our operations, including (i) payroll and welfare payables to our employees, (ii) payables for purchase of property and equipment, primarily representing payables relating to the purchase of equipment deployed in our teahouses, (iii) accrued charges, which are mainly utilities, and (iv) others. The following table sets forth our other payables and accrued charges as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Payroll and welfare payables	54,895	91,484	82,959
Payables for purchase of property and equipment	29,231	28,927	84,186
Accrued charges	19,517	39,029	77,070
Others	4,135	7,686	13,496
Total	107,778	167,126	257,711

Other payables and accrued charges increased by 55.1% from RMB107.8 million as of December 31, 2018 to RMB167.1 million as of December 31, 2019, primarily due to (i) an RMB36.6 million increase in payroll and welfare payables as a result of the increased staff headcount, and (ii) an RMB19.5 million increase in accrued charges due to increased accrued rents and utilities as a result of our *Nayuki* teahouse network expansion.

Other payables and accrued charges increased by 54.2% from RMB167.1 million as of December 31, 2019 to RMB257.7 million as of December 31, 2020, primarily due to (i) an RMB55.3 million increase in purchase of property and equipment for our newly opened *Nayuki* teahouses, and (ii) an RMB38.0 million increase in accrued charges due to increased accrued rents and utilities as a result of our *Nayuki* teahouse network expansion, partially offset by the an RMB8.5 million decrease in payroll and welfare payables as we paid a large amount of bonuses to incentivize our employees in the first quarter of 2020.

As of April 30, 2021, RMB201.2 million, or 78.1% of our other payables and accrued charges outstanding as of December 31, 2020 had been subsequently settled.

Amounts due to related parties

Amounts due to related parties consist primarily of (i) the outstanding payables accrued for purchases we made on packaging materials, including plastic cups and wrapping materials from Zundao, (ii) the outstanding payables accrued for the management and consultation services for our delivery platforms provided by Fucheng, and (iii) advances made to us by our co-founders and Xinian Manyi Gongcha to support our working capital needs that have not yet been repaid. Amounts due to related parties decreased from RMB29.8 million as of December 31, 2018 to RMB21.7 million as of December 31, 2019, and further decreased to RMB16.8 million as of December 31, 2020, as we settled certain amounts due to related parties in respective years. As of the Latest Practicable Date, Xinian Manyi Gongcha had been closed down and deregistered and such amounts due from Xinian Manyi Gongcha had been fully settled. The outstanding amount of the advances made to us by our co-founders and Xinian Manyi Gongcha had been settled as of March 31, 2021.

The table below sets forth the amounts due to related parties by nature as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Trade in nature			
– Zundao	12,290	16,846	14,394
– Fucheng	–	2,293	2,266
Non-trade in nature			
– Co-founders	15,974	2,540	159
– Xinian Manyi Gongcha	1,537	–	–
Total	29,801	21,679	16,819

For further details, see the section headed "Connected Transactions," and Note 31 to the Accountants' Report set forth in Appendix I to this Prospectus.

Contract Liabilities

Contract liabilities represent (i) anonymous prepaid cards we sold to corporate organizations and retailers but not yet used, and (ii) vouchers and points that our customers have accumulated but not yet redeemed. During the Track Record Period, we issued vouchers to our customers and credited points to customers' membership accounts, in appreciation of their purchases and as incentives to keep them engaged. For details of our membership program, see "Business – The *Nayuki* Customer Experience – *Nayuki* Membership Program."

Our contract liabilities increased from RMB14.9 million as of December 31, 2018 to RMB44.9 million as of December 31, 2019, and further to RMB78.6 million as of December 31, 2020, primarily driven by (i) the increased sales of prepaid cards attributable to our enhanced brand awareness and increasing customer acceptance, and (ii) the increased number of vouchers our customers have accumulated, which in turn, was attributable to the increased sales of our *Nayuki* products, as a result of our continued product innovations, improved customer experience, and *Nayuki*'s increasing brand recognition.

As of April 30, 2021, RMB28.9 million, or 36.8% of our contract liabilities outstanding as of December 31, 2020 had been subsequently settled.

Bank Loans

During the Track Record Period, our bank loans increased from RMB1.5 million as of December 31, 2018 to RMB54.5 million as of December 31, 2019, and further to RMB283.1 million as of December 31, 2020 as we continued to utilize banking facilities to support our business growth. As of December 31, 2018, 2019 and 2020, our available banking facilities totaled RMB133.5 million, RMB95.5 million and RMB156.9 million, respectively. As of April 30, 2021, we had total banking facilities of RMB74.7 million, among which RMB14.7 million had been utilized whereas the remaining RMB60 million were available banking facilities.

Redeemable Capital Contributions

Redeemable capital contributions primarily represent our redeemable capital contribution in connection with our Series A, Series A+ and Series B-1 investments. During the Track Record Period, our redeemable capital contribution increased from RMB410.1 million as of December 31, 2018 to RMB438.1 million as of December 31, 2019, and further to RMB465.3 million as of December 31, 2020, driven by a continued increase in the fair value of our redeemable and convertible preferred shares, which in turn, was driven by our strong business growth and improved business outlook. For more information of our Series A, Series A+ and Series B-1 Preferred Shares, see "History, Reorganization and Corporate Structure – Major Corporate Development, Shareholding Changes and Reorganization of Our Group – Our Company – II. Issues of Series A, Series A+ and Series B-1 Preferred Shares."

Financial Liabilities at Fair Value through Profit or Loss

We recorded financial liabilities at fair value through profit or loss of RMB361.9 million as of December 31, 2020, which represent our convertible note, warrants and onshore loans with conversion rights in connection with the Series B-2 investments. For details, see "History, Reorganization and Corporate Structure – Major Corporate Development, Shareholding Changes and Reorganization of Our Group – Our Company – III. Issues of Series B-2 Preferred Shares."

Convertible Redeemable Preferred Shares

Convertible redeemable preferred shares primarily represent the equity investment made by certain Pre-IPO Investors as such Pre-IPO investors were granted the right to require our Company to redeem all or a portion of the Pre-IPO Preferred Shares they held if the Listing is not consummated within a certain period. As of December 31, 2020, we recorded convertible redeemable preferred shares of RMB652.5 million in relation to our Series C Preferred Shares. For details, see "History, Reorganization and Corporate Structure – Major Corporate Development, Shareholding Changes and Reorganization of Our Group," and Note 23 to the Accountant's Report in Appendix I to this Prospectus.

LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our operations primarily through shareholder capital contributions and cash generated from our operating activities. As of December 31, 2018, 2019 and 2020 we had cash and cash equivalents of RMB185.8 million, RMB81.3 million and RMB501.8 million. After the Global Offering, we intend to finance our future capital requirements through cash generated from our operating activities, the net proceeds from the Global Offering, and other future equity or debt financings. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future.

Cash Flow Analysis

The following table sets forth our cash flows for the periods indicated:

	For the year ended December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Net cash generated from operating activities	200,789	415,854	574,345
Net cash used in investing activities	(209,305)	(291,085)	(243,855)
Net cash generated from/(used in) financing activities	180,952	(228,916)	91,923
Net increase/(decrease) in cash and cash equivalents	172,436	(104,147)	422,413
Cash and cash equivalents at the beginning of the year/period	13,352	185,788	81,296
Effects of movements in exchange rates on cash held	–	(345)	(1,956)
Cash and cash equivalent at the end of the year/period	185,788	81,296	501,753

Operating Activities

Net cash generated from operating activities for the year ended December 31, 2020 was RMB574.3 million, which consisted primarily of loss before taxation of RMB190.1 million, adjusted for certain non-cash and non-operating items, and aggregated income tax paid of RMB2.5 million and income tax refunded of RMB8.5 million. Adjustments for certain non-cash and non-operating items primarily include depreciation of RMB506.9 million, finance costs of RMB130.3 million and fair value changes of financial liabilities at FVTPL of RMB132.8 million. The amount was further adjusted by changes in working capital, including (i) increase in inventories of RMB25.9 million due to the increased stock of both raw materials and packaging materials in support of our *Nayuki* teahouse network expansion, (ii) increase in trade and other receivables and rental deposits of RMB81.2 million, which was in line with our overall business growth, (iii) increase in trade and other payables of RMB64.1 million driven by our expanded business scale, and (iv) increase in contract liabilities of RMB33.7 million, primarily due to the increased sales of our *Nayuki* products, which in turn was attributable to our continued product innovations, improved customer experience, and *Nayuki*'s increasing brand recognition.

Net cash generated from operating activities for the year ended December 31, 2019 was RMB415.9 million, which consisted primarily of loss before taxation of RMB42.7 million, adjusted for certain non-cash and non-operating items, and aggregated income tax paid of RMB29.8 million. Adjustments for certain non-cash and non-operating items primarily include depreciation of RMB353.9 million and finance costs of RMB96.2 million. The amount was further adjusted by changes in working capital, including (i) increase in inventories of RMB40.7 million due to the increased stock of both raw materials and packaging materials in support of our *Nayuki* teahouse network expansion, (ii) increase in trade and other receivables and rental deposits of RMB124.7 million, which was in line with our overall business growth, (iii) increase in trade and other payables of RMB164.3 million driven by our expanded business scale, and (iv) increase in contract liabilities of RMB30.0 million, primarily due to the increased sales of our *Nayuki* products, which in turn was attributable to our continued product innovations, improved customer experience, and *Nayuki*'s increasing brand recognition.

Net cash generated from operating activities for the year ended December 31, 2018 was RMB200.8 million, which consisted primarily of loss before tax of RMB47.4 million, adjusted for certain non-cash and non-operating items, and aggregated income tax paid of RMB7.5 million. Adjustments for certain non-cash and non-operating items primarily include depreciation of RMB160.2 million and finance costs of RMB46.2 million. The amount was further adjusted by changes in working capital, including (i) increase in inventories of RMB10.5 million due to the increased stock of both raw materials and packaging materials in support of our *Nayuki* teahouse network expansion, (ii) increase in trade and other receivables and rental deposits of RMB93.4 million, which was in line with our overall business growth, (iii) increase in trade and other payables of RMB135.1 million driven by our expanded business scale, and (iv) increase in contract liabilities of RMB11.4 million, primarily due to the increased sales of our *Nayuki* products, which in turn was attributable to our continued product innovations, improved customer experience, and *Nayuki*'s increasing brand recognition.

Investing Activities

Net cash used in investing activities for the year ended December 31, 2020 was RMB243.9 million which consisted primarily of payment for purchases of property and equipment of RMB243.4 million in connection with our *Nayuki* teahouse network expansion. To a lesser extent, net cash used in investing activities for the year ended December 31, 2020 was also attributable to purchase of financial assets of RMB30.0 million, and was partially offset by proceeds from financial assets of RMB30.2 million, both of which were in connection with our investment in wealth management products.

Net cash used in investing activities for the year ended December 31, 2019 was RMB291.1 million, which consisted primarily of payment for purchase of property and equipment of RMB289.8 million in connection with our *Nayuki* teahouse network expansion, partially offset by proceeds from disposal of property and equipment at our *Nayuki* teahouses of RMB0.6 million.

Net cash used in investing activities for the year ended December 31, 2018 was RMB209.3 million, which consisted primarily of payment for purchase of property and equipment of RMB209.4 million in connection with our *Nayuki* teahouse network expansion, partially offset by proceeds from disposal of property and equipment at our *Nayuki* teahouses of RMB0.9 million.

Financing Activities

Net cash generated from financing activities for the year ended December 31, 2020 was RMB91.9 million, which consisted primarily of proceeds from bank loans of RMB375.0 million, proceeds from issuance of convertible note, warrant and onshore loans of RMB234.5 million and advances from related parties of RMB6.5 million, partially offset by (a) payment of capital element and interest element of lease liabilities of RMB342.9 million in relation to the leases for our *Nayuki* teahouses and (b) repayment of bank loans of RMB152.6 million.

Net cash used in financing activities for the year ended December 31, 2019 was RMB228.9 million, which consisted primarily of payment of capital element and interest element of lease liabilities of RMB266.5 million in relation to the leases for our *Nayuki* teahouses and repayments of advances from related parties of RMB28.4 million, partially offset by (a) proceeds from bank loans of RMB62.0 million and (b) advances from related parties of RMB13.5 million to support our working capital needs.

Net cash generated from financing activities for the year ended December 31, 2018 was RMB181.0 million, which consisted primarily of proceeds from issuance of redeemable capital contribution of RMB300 million in connection with our Series B-1 investment and bank loans of RMB48.0 million, partially offset by (a) payment of capital element and interest element of lease liabilities of RMB108.2 million in relation to the leases for our *Nayuki* teahouses, (b) repayment of bank loans of RMB46.5 million and (c) repayments of advances from related parties of RMB37.5 million.

INDEBTEDNESS

	As of December 31,			As of April 30,
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)
Bank loans	1,500	54,500	283,120	14,740
Lease liabilities	763,056	1,253,615	1,356,726	1,316,579
Redeemable capital contribution	410,115	438,060	465,309	–
Financial liabilities at fair value through profit or loss	–	–	361,881	–
Convertible redeemable preferred shares	–	–	652,490	2,632,224
Interest-bearing borrowing	–	–	438	434
Total	1,174,671	1,746,175	3,119,964	3,963,977

Bank loans

Our total outstanding bank loans amounted to RMB1.5 million, RMB54.5 million, RMB283.1 million and RMB14.7 million as of December 31, 2018, 2019, 2020 and April 30, 2021, respectively. Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. All borrowings are repayable within one year and the effective annual interest rates ranged from 3.22% to 3.85% as of April 30, 2021, being the indebtedness statement date.

Our bank loans are subject to customary affirmative and negative loan covenants, such as restriction on use of loans and continuing reporting obligations. The loan agreements that we entered into typically do not include financial covenants. During the Track Record Period and up to the Latest Practicable Date, we did not have any material breach of covenants.

Lease liabilities

We recognized total lease liabilities of RMB763.1 million, RMB1,253.6 million, RMB1,356.7 million and RMB1,316.6 million as of December 31, 2018, 2019, 2020 and April 30, 2021, respectively. For further information regarding our lease liabilities, see Note 23 to the Accountants' Report in Appendix I to this Prospectus.

Redeemable capital contribution

Our redeemable capital contribution amounted to RMB410.1 million, RMB438.1 million, RMB465.3 million and nil as of December 31, 2018, 2019, 2020 and April 30, 2021, respectively. For further information regarding our redeemable capital contribution, see Note 21 to the Accountants' Report in Appendix I to this Prospectus. As of April 30, 2021, the redeemable capital contribution had been converted into preference shares of the Company.

Financial liabilities at fair value through profit or loss

Our financial liabilities at fair value through profit or loss amounted to nil, nil, RMB361.9 million and nil as of December 31, 2018, 2019, 2020 and April 30, 2021, respectively. For further information regarding our financial liabilities at fair value through profit or loss, see Note 22 to the Accountants' Report in Appendix I to this Prospectus.

Convertible redeemable preferred shares

Our convertible redeemable preferred shares amounted to nil, nil, RMB652.5 million and RMB2,632.2 million as of December 31, 2018, 2019, 2020 and April 30, 2021, respectively. In January 2021, the convertible redeemable preferred shares were converted from the Pre-IPO investment instruments recorded as financial liabilities at fair value through profit or loss, the additional issuances to the investors of redeemable capital contribution as part of the Reorganization and the re-designation of ordinary shares held by existing Controlling Shareholders to convertible redeemable preferred shares by the Company to one of the Pre-IPO Investors. For further information regarding our convertible redeemable preferred shares, see Note 23 to the Accountants' Report in Appendix I to this Prospectus.

Interest-bearing borrowing

Our interest-bearing borrowing amounted to nil, nil, RMB0.44 million and RMB0.43 million as of December 31, 2018, 2019, 2020 and April 30, 2021, respectively. For further information regarding our interest-bearing borrowing, see Note 20 to the Accountants' Report in Appendix I to this Prospectus.

Except as disclosed above, as of April 30, 2021, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities.

Our Directors have confirmed that we did not have any material defaults in payment of trade and non-trade payables and borrowings during the Track Record Period and up to the Latest Practicable Date, and there is no material change in our indebtedness since April 30, 2021 and up to the Latest Practicable Date.

CONTINGENT LIABILITY

As of the Latest Practicable Date, we did not have any significant contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures are incurred primarily in connection with payment for purchase of equipment and leasehold improvements. Our capital expenditures were RMB209.4 million, RMB289.8 million and RMB243.4 million for the years ended December 31, 2018, 2019 and 2020, respectively. We intend to fund our future capital expenditures with our existing cash balance, proceeds from the Global Offering and future cash generated from operations.

CONTRACTUAL OBLIGATIONS

Capital Commitments

Our capital commitments outstanding as of December 31, 2018, 2019 and 2020 not provided for in the financial statements were as follows:

	As of December 31,		
	2018	**2019**	**2020**
	(RMB in thousands)		
Capital commitment	70,875	58,838	21,213

RELATED PARTY TRANSACTIONS

For a discussion of related party transactions, see Note 31 to the Accountants' Report set forth in Appendix I to this Prospectus.

The transactions with Zundao as described in Note 31 to the Accountants' Report set forth in Appendix I to this Prospectus will also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For details, see the section headed "Connected Transactions."

Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	For the year ended December 31,		
	2018	**2019**	**2020**
Revenue growth	N/A	130.2%	22.2%
Adjusted net (loss)/profit margin (non-IFRS measure)[1]	(5.2)%	(0.5)%	0.5%
Current ratio[2]	0.34	0.24	0.49
Quick ratio[3]	0.29	0.18	0.45

Notes:

(1) Calculated using adjusted net (loss)/profit (Non-IFRS measure) divided by revenues for a given period.

(2) Calculated using current assets divided by current liabilities at the end of year.

(3) Calculated using current assets less inventories divided by current liabilities at the end of year.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as Shareholder's equity or that are not reflected in our combined financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of our business, we are exposed to various market risks, including credit risk, liquidity risk, interest rate risk and currency risk. Our risk management strategy aims to minimize the potential adverse effects of such risks on our financial performances. We have control policies in place and the exposure to these risks are monitored on an on-going basis by the Board.

Credit Risk

We are exposed to credit risk that is primarily attributable to our trade and other receivables. Our Group's exposure to credit risk arising from cash and cash equivalents and restricted deposits is limited because the counterparties are banks, financial institutions, Alipay and Weixin/WeChat Pay with high credit rating and no past due history, for which the Group considers having low credit risk.

In determining the expected credit losses for other receivables, our management has taken into account the historical default experience and forward-looking information, as appropriate. Our management has assessed that other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no provision for impairment of other receivables is considered necessary by our management during the Track Record Period. The expected credit loss rate is insignificant and close to zero.

Our exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when we have significant exposure to individual customers.

Liquidity Risk

As of December 31, 2018, 2019 and 2020, our net current liabilities amounted to RMB565.0 million, RMB931.3 million and RMB1,398.3 million, respectively. In management of liquidity risk, we regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. Historically, we have relied principally on both operational sources of cash and non-operational sources of equity and debt financing to fund its operations and business development. For details of our the remaining contractual maturities at the end of the reporting period of our non-derivative and derivative financial liabilities, see Note 28(b) to the Accountants' Report set forth in Appendix I to this Prospectus.

We have carried out a review of our cash flow forecast for the twelve months period following the date of issuance of the accompanying combined financial statements. Based on such forecast, our management believes that adequate sources of liquidity exist to fund our working capital and future capital expenditures requirements, and other liabilities and commitments as they become due. In preparing the cash flow forecast, our management has considered historical cash requirements, working capital and capital expenditures plans, estimated cash flows provided by operations, existing cash on hand, as well as other key factors, including utilization of credit facilities granted by financial institutions. Our management believes the assumptions used in the cash forecast are reasonable.

Currency Risk

As our principal activities are carried out in the PRC, our transactions are mainly denominated in Renminbi, which is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorized to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

DIVIDENDS

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As we are a holding company incorporated under the laws of the Cayman Islands, the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

We have not previously declared or paid any cash dividend or dividend in kind and we have no plan to declare or pay any dividends in the near future on our Shares. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

WORKING CAPITAL SUFFICIENCY CONFIRMATION

Taking into account cash generated from operating activities and the estimated net proceeds we expect to receive from this Global Offering, our Directors are of the view that we will have available sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this Prospectus.

DISTRIBUTABLE RESERVES

As of December 31, 2020 the Company did not have any distributable reserves.

LISTING EXPENSES

Our listing expenses mainly include underwriting fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the Listing and the Global Offering. Assuming full payment of the discretionary incentive fee, the estimated total listing expenses (based on the mid-point of the Offer Price Range and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately HK$238.2 million, of which (i) approximately HK$13.9 million has been charged to our combined statements of profit or loss during the Track Record Period, and (ii) approximately HK$27.8 million is expected to be charged to our combined statements of profit or loss and the remaining amount of HK$196.5 million is expected to be recognized directly as a deduction from equity upon the Listing. Our Directors do not expect such expenses to have a material and adverse impact on our financial results for the year ending December 31, 2021.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the combined net tangible liabilities of the Group attributable to equity shareholders of the Company as if the Global Offering had been completed on December 31, 2020.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to equity shareholders of the Company had the Global Offering been completed as of December 31, 2020 or any future date.

	Combined net tangible liabilities of the Group attributable to equity shareholders of the Company as of December 31, 2020(i)	Estimated net proceeds from the Global Offering(ii)	Estimated impact upon the termination of the financial instruments with preferred rights(iii)	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company(iv)	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share(iv)	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share(v)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$17.20 per share	(425,468)	3,467,836	1,479,680	4,522,048	2.64	3.20
Based on an Offer Price of HK$19.80 per share	(425,468)	3,996,262	1,479,680	5,050,474	2.94	3.58

Notes:

(i) The combined net tangible liabilities of the Group attributable to equity shareholders of the Company as of 31 December 2020 is calculated based on the combined net liabilities of our Group of RMB424,417,000 as of 31 December 2020, after deduction of intangible assets of RMB1,051,000 as shown in the Accountants' Report as set out in Appendix I in this prospectus.

(ii) The estimated net proceeds from the Global Offering are based on the estimated Offer Prices of HK$17.20 per share and HK$19.80 per share, being the lower end price and higher end price of the indicative Offer Price range respectively, after deduction of the estimated underwriting fees and other related expenses related to Global Offering (excluding approximately RMB11,410,000 listing expenses which has been charged to the combined statements of profit or loss up to December 31, 2020) and the issuance of 257,269,000 shares, takes no account of any shares that may be issued upon exercise of the Over-Allotment Option, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds from the Global Offering is converted into RMB at an exchange rate of HK$1.2152 to RMB1. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.

(iii) As of 31 December 2020, the aggregate carrying amount of financial instruments with redemption or conversion rights (comprising redeemable capital contributions, financial liabilities at fair value through profit or loss and convertible redeemable preferred shares) was RMB1,479,680,000. Upon the completion of the Reorganization, the financial liabilities at fair value through profit or loss were effectively converted into convertible redeemable preferred shares and additional issuances of certain series of preferred shares to the redeemable capital contribution investors in January 2021. Upon the Listing, the convertible redeemable preferred shares will be automatically converted into ordinary shares of the Company and will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company will be increased by RMB1,479,680,000 as if the conversion of convertible redeemable preferred shares to ordinary shares had taken place on 31 December 2020.

(iv) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share is arrived at after the adjustments as described in note (ii) and (iii) and on the basis that a total of 1,715,126,147 shares were in issue assuming that the Global Offering was completed on 31 December 2020, but takes no account of any shares which may be issued upon the exercise of the Over-Allotment Option, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates.

(v) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share is converted into Hong Kong dollars at an exchange rate of RMB1 to HK$1.2152. No representation is made that RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

(vi) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.

Please refer to "Appendix II – Unaudited Pro Forma Financial Information" for further details.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this Prospectus, there has been no material adverse change in our financial or trading position or prospects since December 31, 2020, being the end date of our latest combined financial statements, and there has been no event since December 31, 2020 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

See the section headed "Business – Our Growth Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

The table below sets forth the estimated net proceeds of the Global Offering which we will receive after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering (assuming the Over-allotment Option is not exercised):

Assuming an Offer Price of HK$18.50 per Offer Share (being the mid-point of the Offer Price range stated in this Prospectus)	HK$4,521.3 million
Assuming an Offer Price of HK$19.80 per Offer Share (being the high end of the Offer Price range stated in this Prospectus)	HK$4,842.4 million
Assuming an Offer Price of HK$17.20 per Offer Share (being the low end of the Offer Price range stated in this Prospectus)	HK$4,200.3 million

We intend to use the net proceeds as follows (based on the mid-point of the Offer Price range stated in this Prospectus):

- approximately 70.0%, or HK$3,165.0 million, will be used over the next three years to expand our teahouse network and deepen our market penetration. In the past few years, our industry had witnessed a significant growth, with premium modern teahouse market size by retail consumption value of freshly-made tea products and other products such as baked goods increasing from RMB0.8 billion in 2015 to RMB15.2 billion in 2020, according to CIC. Such momentum is expected to remain strong in the near future, with the market size expected to further grow to RMB62.3 billion in 2025, representing a CAGR of 32.7%, which largely outstrips the overall freshly-made tea shop industry. In light of the captivating market potential, we believe it is in our best interest to continue to scale our business, with a view to capitalizing on our established brand awareness to drive long-term growth. Specifically, We plan to open approximately 300 and 350 *Nayuki* teahouses in 2021 and 2022, respectively, primarily in Tier 1 cities and New Tier 1 cities, among which approximately 70% are planned to be *Nayuki PRO* teahouses. We expect the number of new *Nayuki* teahouses to be opened in 2023 to be at least the same as the number of new *Nayuki* teahouses we plan to open in 2022, subject to market conditions. For details of our planned teahouse network expansion, see "Business – Our *Nayuki* Premium Modern Teahouses – Teahouse Network Management – Recent and Planned Expansion." In connection with our planned teahouse network expansion:

  (i) approximately 26.0%, or HK$1,175.6 million, will be used over the next three years to fund the initial capital expenditure and other associated costs in connection with the planned teahouse network expansion, assuming the estimated average investment costs per regular *Nayuki* teahouse and *Nayuki PRO* teahouse at RMB1.85 million and RMB1.25 million, respectively;

(ii) approximately 18.0%, or HK$813.8 million, will be used over the next three years to pay the rents for the new teahouses to be opened during such period; and

(iii) approximately 26.0%, or HK$1,175.6 million, will be used over the next three years in connection with the hiring, training and retention of in-store crew for the new teahouses to be opened, assuming the expected number of in-store staff being 20 to 25 per regular *Nayuki* teahouse and 10 to 15 per *Nayuki PRO* teahouse. As we continue to enhance technology capabilities and streamline teahouse operations, we strive to increase store-level operational efficiency and reduce the number of in-store crew at each *Nayuki* teahouse;

- approximately 10.0%, or HK$452.1 million, will be used over the next three years to further improve our overall operations through enhancing technology capabilities, with a goal to improve operational efficiency, including:

(i) approximately 1.2%, or HK$54.3 million, will be used over the next three years to develop our proprietary technology infrastructure and further optimize our operational and management systems, which covers every key aspect of our in-store operations such as workforce management and inventory management;

(ii) approximately 1.3%, or HK$58.8 million, will be used over the next three years to deploy a variety of smart devices such as smart payment machines, POS systems, ordering pads and network devices at our *Nayuki* teahouses to further automate and streamline in-store operations; and

(iii) approximately 7.5%, or HK$339.0 million, will be used over the next three years to pay the salaries and bonuses of our existing IT specialists as of the Latest Practicable Date, including software engineers, web developers and data engineers, and to recruit additional IT specialists with expertise in data analytics, e-commerce and supply chain management in 2021;

- approximately 10.0%, or HK$452.1 million, will be used over the next three years to strengthen our supply chain and product distribution capabilities, with a goal to support our expanding scale, including:

(i) approximately 6.4%, or HK$289.3 million, will be used over the next three years to establish additional five "central kitchens" in different cities across China, including funding the investment costs in connection with the (i) construction of such "central kitchens," and (ii) procurement of kitchen equipment for such "central kitchens". We believe such a network of "central kitchens" will enable us to stock up our teahouses in a more swift and cost-effective manner, especially for our expanding network of *Nayuki PRO* teahouses that are not equipped with an in-store bakery, thereby increasing our operational efficiency;

(ii) approximately 3.6%, or HK$162.8 million, will be used over the next three years to expand our online retail channels. With respect to our gifts and retail products such as gift tea boxes, seasonal gift sets as well as ready-to-drink beverages, we will actively seek market opportunities to penetrate into new retail channels such as various e-commerce, short video and live streaming platforms, and launch marketing and promotion activities on such retail channels, with a goal to enhance market presence and drive product sales;

- the remaining approximately 10.0%, or HK$452.1 million, will be used for working capital and general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated offer price range.

To the extent our net proceeds are either more or less than expected, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately required for the above purposes and to the extent permitted by the relevant law and regulations, we will only place the net proceeds from the Global Offering in short-term interest-bearing accounts at licensed banks in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds or if any amount of the proceeds will be used for general corporate purpose.

If the Over-allotment Option is fully exercised, our Company will receive additional net proceeds of approximately HK$685.3 million for 38,590,000 Shares to be allotted and issued upon the full exercise of the Over-allotment Option based on the Offer Price of HK$18.50 per Offer Share, being the mid-point of the Offer Price range, and after deducting the underwriting fees and commissions payable by our Company. The additional amount raised will be applied to the above areas of use of proceeds on pro rata basis.

HONG KONG UNDERWRITERS

J.P. Morgan Securities (Asia Pacific) Limited
CMB International Capital Limited
Huatai Financial Holdings (Hong Kong) Limited
Haitong International Securities Company Limited
ABCI Securities Company Limited
BOCOM International Securities Limited
Futu Securities International (Hong Kong) Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 25,727,000 Hong Kong Public Offer Shares and the International Offering of initially 231,542,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section entitled "Structure of the Global Offering" and the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Public Offer Shares for subscription by the public in Hong Kong on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (a) the Listing Committee granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and such approval not having been withdrawn, and (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including, amongst others, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, agreeing upon the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly to procure subscribers for, or themselves to subscribe for their respective applicable proportions of the Hong Kong Public Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions, set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Public Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into force:

(i) any event, or series of events, whether in continuation or in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, mutation or aggravation of diseases (including, without limitation, COVID-19, SARS, swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms), economic sanctions, labour disputes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared)), acts of God or acts of terrorism (whether or not responsibility has been claimed), in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom or the European Union (or any member thereof) (collectively, the "**Relevant Jurisdictions**");

(ii) any change or any development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on SEHK, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange;

(iv) any general moratorium on commercial banking activities in, or affecting Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the U.S. Federal or New York State level or by any other competent authority), London, the PRC, the European Union (or any member thereof), or any other of the

Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any governmental authority in or affecting any of the Relevant Jurisdictions;

(vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions in respect of any jurisdiction relevant to the business operations of any member of the Group;

(vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the RMB against any foreign currency, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar of RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions;

(viii) the issue or requirement to issue by the Company of a supplement or amendment to this Prospectus, the Green Application Form or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of SEHK and/or the SFC;

(ix) any change or development involving a prospective change in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this Prospectus;

(x) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity;

(xi) any litigation, dispute, legal action or claim being threatened or instigated in material aspects against any member of the Group, any Controlling Shareholders or any directors, the chairman, chief executive officer, chief financial officer, any executive director of the Company is vacating his or her office;

(xii) any contravention by the Company, any member of the Group, any Directors or any Controlling Shareholders of any applicable laws and regulations including the Listing Rules; or

(xiii) any non-compliance of this Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), (1) has or will have or may have a Material Adverse Effect; (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; (3) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by this Prospectus; or (4) has or will have or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Global Coordinators that:

(i) any statement contained in any of this Prospectus, the Green Application Form, the formal notice, the price determination agreement, the receiving bank agreement, the agreement between the Company and the Hong Kong Share Registrar, the cornerstone investment agreements and the agreement between the Company and the White Form eIPO Service Provider, the preliminary offering circular, and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering and the Global Offering (collectively, the "**Offer Related Documents**") (including any supplement or amendment thereto, but excluding the information relating to the Underwriters for use in the Offer Related Documents, namely the marketing name, legal name, logo and address of such underwriters) was, when it was issued, or has become, untrue, incorrect or misleading in any material respects, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) is not fair and honest and based on reasonable grounds or reasonable assumptions in a material respect;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission from, or misstatement in, any of the Offer Related Documents (including any supplement or amendment thereto);

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable (other than upon any of the Hong Kong Underwriters or the International Underwriters);

(iv) any event, act or omission which gives or is likely to give rise to any material liability of an indemnifying party pursuant to the indemnities given by it under the terms of the Hong Kong Underwriting Agreement, as applicable;

(v) any material adverse change, or any development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, earnings, solvency, liquidity position, results of operations, position or condition, financial or otherwise, or performance of the Company and the other members of the Group, taken as a whole;

(vi) any breach of, or any event or circumstances rendering untrue incorrect, incomplete or misleading in any respect, any of the warranties given by the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares on the Main Board of the SEHK, including any Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;

(viii) any expert (other than the Joint Sponsors) has withdrawn its consent to being named in this prospectus or to the issue of any of the Hong Kong Public Offering documents;

(ix) that the Company withdraws this Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global offering;

(x) any Director or members of senior management of the Company is being charged with an indictable offence or is prohibited by operation of Laws or otherwise disqualified from taking part in the management or taking directorship of a company which will have a material adverse effect on the Global Offering;

(xi) that there is the commencement by any Authority of any investigation or action against any Director in his or her capacity as such, any member of the Group, or any of the Controlling Shareholders, or announcement by any Authority of its intention to commence such investigate or take any such action which will have a material adverse effect on the Global Offering;

(xii) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional Shares to be issued pursuant to the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(xiii) there is any order or petition for the winding-up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group, which will have a material adverse effect on the Global Offering.

Undertakings by our Company

Undertakings pursuant to the Listing Rules

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except:

(a) under any of the circumstances provided under Rule 10.08 of the Listing Rules; or

(b) pursuant to the Global Offering (including the Over-allotment Option).

Undertakings pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except for the issue, offer or sale of the Offer Shares by our Company pursuant to the Global Offering (including pursuant to exercise of the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), we will not, without the prior written consent (such consent not to be unreasonably withheld) of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) offer, allot, issue, sell, accept subscription for, contract to allot, issue or sell, contract or agree to allot, issue or sell, assign, grant or sell any option, warrant, right or contract to purchase any option, or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or other securities of the Company, as applicable, or any interests in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of such other member of the Group, as applicable), or deposit any Shares or other securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any Shares, debt capital or other securities of the Company as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or contract to or agree to, or publicly announce any intention to enter into any transaction described in (i), (ii) or (iii) above;

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company, as applicable, or in cash or otherwise (whether or not such allotment or issue of the Shares or securities will be completed within the First Six-Month Period).

In the event that, at any time during the period of six months commencing on the expiry of the First Six-Month Period (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees, contracts to or announces, or publicly discloses, any intention to, enter into any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement it will not create a disorderly or false market in our Shares or any other securities of our Company.

We further undertake to each of the Hong Kong Underwriters, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Joint Sponsors not to, without the prior written consent (such consent not to be unreasonably withheld) of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, dispose of or agree to dispose of, during the First Six-Month Period, any shares or other securities of each of the major subsidiaries of the Group as disclosed in this prospectus, namely (i) Shenzhen Pindao Food & Beverage Management Co., Ltd., (ii) Shenzhen Tai Gai Food & Beverage Management Co., Ltd., (iii) Wuhan Tai Gai Food & Beverage Management Co., Ltd., (iv) Beijing Nayuki Food & Beverage Management Co., Ltd. and (v) Shanghai Nayuki Food & Beverage Management Co., Ltd.

Undertaking by the Controlling Shareholders

Undertakings pursuant to the Listing Rules

Pursuant to Rule 10.07(1) of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering (including the Over-allotment Option or the Stock Borrowing Agreement), they shall not and shall procure that the relevant registered holder(s) (if any) shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of its shareholding in our company is made in this prospectus and ending on the date which is six months from the Listing Date, either directly or indirectly, dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which it is shown by this Prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "**Relevant Securities**") (save for a pledge or charge of any Relevant Securities as security in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan); and

(ii) in the period of six months commencing from the expiry of the period referred to in paragraph (i) above, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities (save for a pledge or charge of any Relevant Securities as security in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan), if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company.

In addition, in accordance with Note 3 to Rule 10.07 of the Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and our Company that, during the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, they will:

(a) when they pledge or charge any Relevant Securities in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) as security for a bona fide commercial loan, immediately inform our Company in writing of such pledge or charge together with the number of Relevant Securities so pledged or charged; and

(b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Relevant Securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (a) and (b) above (if any) by the Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Each of Mr. Zhao, Ms. Peng and Linxin Group Limited (the "**Undertaking Controlling Shareholders**") has undertaken to each of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent (such consent not to be unreasonably withheld) of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, save for the lending of Shares pursuant to the Stock Borrowing Agreement, it will not, and procure that the relevant registered holder(s) will not, at any time during the First Six-Month Period:

(i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest in any of the foregoing (including, without limitation, any securities that are convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares or other securities of the Company) beneficially owned by it as of the Listing Date (the "**Locked-up Securities**"); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities; or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or contract to or agree to, or publicly announce any intention to enter into any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities of the Company will be completed within the Lock-Up Period).

During the Second Six-Month Period, each Undertaking Controlling Shareholder will not, and will procure that the relevant registered holder(s) will not, enter into any of the transactions described in (i), (ii) or (iii) above in respect of any Locked-up Securities or offer to or contract to or agree to or publicly announce any intention to enter into any such transaction if, immediately following such transaction or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, it, directly or indirectly, will cease to be a Controlling Shareholder of the Company. Until the expiry of the Second Six-Month Period, in the event that it or the relevant registered holder(s) enters into any of the transactions described in (i), (ii) or (iii) above or offers to or contracts to or agrees to or publicly announces any intention to enter into any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

Without limiting the above, at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it will:

(i) if and when it or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by it, immediately inform the Company, the Joint Global Coordinators and the Joint Sponsors in writing of such pledge or charge together with the number of Shares or other securities of the Company so pledged or charged; and

(ii) if and when it or the relevant registered holder(s) receives any indication, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities of the Company will be disposed of, immediately inform the Company, the Joint Global Coordinators and the Joint Sponsors in writing of such indications.

The Company shall, as soon as practicable upon receiving such information in writing from any of the Controlling Shareholders and if required pursuant to the Listing Rules, notify the SEHK and make a public disclosure in relation to such information by way of an announcement.

For the avoidance of doubt, the Controlling Shareholders are not prevented from using the Locked-up Securities as security (including a charge or a pledge) in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan.

Undertaking by the Pre-IPO Investors

Each of our Pre-IPO Investors has entered into a lock-up undertaking letter (the "**Lock-up Undertakings**") in favor of the Company and the Joint Global Coordinators. Pursuant to the Lock-up Undertakings, the Pre-IPO Investors are subject to lock-up arrangements for a period of six (6) months after the Listing Date, subject to certain exceptions.

Indemnity

We have agreed to indemnify the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including, among other matters, losses incurred arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Commission and Expenses and Joint Sponsors' Fee

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) will receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option), out of which they will pay any sub-underwriting commissions and other fees.

Our Company may, at our sole and absolute discretion, pay to the Joint Global Coordinators an incentive fee up to but not exceeding 1.0% of the aggregate Offer Price for each Offer Share.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK$18.50 (being the mid-point of our Offer Price range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee of 0.005% per Share, SFC transaction levy of 0.0027% per Share, brokerage fee, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately HK$238.2 million, which is subject to adjustment to be agreed by the Company, the Joint Global Coordinators and other parties.

An aggregate amount of US$1.2 million is payable by the Company as sponsor fees to the Joint Sponsors.

Hong Kong Underwriters' Interests in Our Company

Save for the obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe, for their respective applicable proportions of International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. Please refer to the section headed "Structure of the Global Offering – The International Offering" for details.

Over-allotment Option and Stabilization

For more details of the arrangements relating to the Over-allotment Option and stabilization, please see the section headed "Structure of the Global Offering" in this prospectus.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Public Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or the stabilizing process. It should be noted that when engaging in any of these activities the Syndicate Members will be subject to certain restrictions, including the following:

a. the Syndicate Members (except for the Stabilization Manager, or its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

b. the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to our Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering." Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

(a) the Hong Kong Public Offering of initially 25,727,000 Offer Shares (subject to reallocation) in Hong Kong as described below in "– The Hong Kong Public Offering" in this section; and

(b) the International Offering of initially 231,542,000 Offer Shares (subject to reallocation and the Over-allotment Option) (i) in the United States solely to QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirement of the U.S. Securities Act and (ii) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for Hong Kong Public Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

We are initially offering 25,727,000 Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering will represent approximately 1.50% of the total issued share capital of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "– Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

For allocation purposes only, the total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools:

Pool A: The Hong Kong Public Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.

Pool B: The Hong Kong Public Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of Pool B.

For the purpose of this sub-section only, the "price" for Hong Kong Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Public Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Public Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 12,863,500 Hong Kong Public Offer Shares (being 50% of the 25,727,000 Offer Shares initially available under the Hong Kong Public Offering) are liable to be rejected.

Reallocation

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Public Offer Shares to certain percentages of the total number of Offer Shares to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached.

(i) 25,727,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 10% of the Offer Shares initially available under the Global Offering; in the event that the International Offer Shares are fully subscribed or oversubscribed,

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 77,180,500 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 102,907,500 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 128,634,500 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors. Subject to the foregoing paragraph, the Joint Global Coordinators and the Joint Sponsors may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong

Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators and the Joint Sponsors have the authority to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators and the Joint Sponsors deem appropriate.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering pursuant to HKEx-GL91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Public Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering provided that the Offer Price would be set at HK$17.20 (low-end of the indicative Office Price), up to 25,727,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 51,454,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK$19.80 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section headed "– Pricing and Allocation" below, is less than the maximum Offer Price of HK$19.80 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Public Offer Shares."

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation and the Over-allotment Option, the number of Offer Shares to be initially offered for subscription under the International Offering will be 231,542,000 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 13.50% of the total issued share capital of our Company immediately after completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

Allocation

Pursuant to the International Offering, the International Underwriters will conditionally place the Offer Shares with professional and institutional investors and other investors expected to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section headed "– Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators (for themselves and on behalf of the Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the section headed "– The Hong Kong Public Offering – Reallocation" above, the exercise of the Over-allotment Option in whole or in part described in the section headed "– Over-allotment Option", and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 38,590,000 additional Offer Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional International Offer Shares to be issued pursuant thereto will represent approximately 2.2% of the total issued share capital of our Company immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilization Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilization Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilization Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilization Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 38,590,000 Offer Shares, which is 15% of the number of Offer Shares initially available under the Global Offering. Following any over-allocation of Shares in the Global Offering, the Stabilization Manager, or any person acting for it, may cover such over-allocations, among other methods, by exercising the Over-allotment Option in full or in part, by making purchases of the Shares in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares;

(e) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilization Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Friday, July 23, 2021. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilization Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilization Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilization Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilization Manager (or its affiliate(s)) may choose to borrow up to 38,590,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from Linxin Group Limited pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

PRICING AND ALLOCATION

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Wednesday, June 23, 2021 and, in any event, no later than Tuesday, June 29, 2021, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$19.80 per Offer Share and is expected to be not less than HK$17.20 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the Maximum Offer Price of HK$19.80 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK$9,999.77 for one board lot of 500 Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this Prospectus.**

The International Underwriters will be soliciting from prospective investors their indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Global Coordinators (on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **www.naixuecha.com** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Public Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. If the number of Offer Shares and/or the Offer Price range is so reduced, all applicants who have already submitted an application will need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid.

Before submitting applications for the Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this Prospectus.

The final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Public Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Public Offer Shares – D. Publication of Results" of this Prospectus.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed "Underwriting."

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

(a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);

(c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

(d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before Tuesday, June 29, 2021, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of Stock Exchange at **www.hkexnews.hk** and our Company at **www.naixuecha.com** on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Public Offer Shares – F. Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued by us pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, June 30, 2021, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, June 30, 2021. Our Shares will be traded in board lots of 500 Shares. The stock code of our Shares will be 2150.

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** under the "HKEXnews > New Listings > New Listing Information" section, and our website at **www.naixuecha.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Public Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Hong Kong Public Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8600 from 9:00 a.m. to 9:00 p.m. on Friday, June 18, 2021, Monday, June 21, 2021 and Tuesday, June 22, 2021, from 9:00 a.m. to 6:00 p.m. on Saturday, June 19, 2021 and Sunday, June 20, 2021 and from 9:00 a.m. to 12:00 noon on Wednesday, June 23, 2021.

A. APPLICATIONS FOR THE HONG KONG PUBLIC OFFER SHARES

1 How to Apply

We will not provide any printed application forms for use by the public.

To apply for the Hong Kong Public Offer Shares, you may:

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf; or

(ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Public Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Public Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

We, the Joint Global Coordinators, the **White Form eIPO** Service Provider and our and their respective agents may reject or accept any application, in full or in part, for any reason at our or their discretion.

2 Who Can Apply

Eligibility for the Application

You can apply for the Hong Kong Public Offer Shares if you or any person(s) for whose benefit you are applying:

(a) are 18 years of age or older;

(b) have a Hong Kong address; and

(c) are outside the United States (within the meaning of Regulation S) or a person described in paragraph (h)(3) of Rule 902 of Regulation S.

If an application is made by a person under a power of attorney, we and the Joint Global Coordinators may accept it at our or their discretion, and on any conditions we or they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules or any relevant waivers that have been granted by the Stock Exchange, you cannot apply for any Hong Kong Public Offer Shares if:

(a) you are an existing beneficial owner of Shares and/or a substantial shareholder of any of our subsidiaries;

(b) you are our Director or chief executive and/or a director or chief executive of our subsidiaries;

(c) you are a close associate of any of the above persons;

(d) you are a core connected person of the Company or a person who will become a core connected person of the Company immediately upon the completion of the Global Offering; or

(e) you have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Public Offer Shares online through the **White Form eIPO** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Public Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3 Terms and Conditions of an Application

By applying through the application channels specified in this prospectus you:

- undertake to execute all relevant documents and instruct and authorize us and/or the Joint Global Coordinators (or their agents or nominees), as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

- agree to comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;

- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;

- agree that none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "**Relevant Persons**"), and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);

- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

- agree to disclose to us, the Hong Kong Share Registrar, the receiving bank and the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which we or any of them may require about you and the person(s) for whose benefit you have made the application;

- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters nor any of our or their respective officers or advisers will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong;

- represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

- warrant that the information you have provided is true and accurate;

- agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated to you under the application;

- authorize (i) us to place your name(s) or the name of HKSCC Nominees on our register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you and (ii) us and/or our agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund check(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "– Personal Collection" below to collect the Share certificate(s) and/or refund check(s) in person;

- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

- understand that we and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service or by any one as your agent or by any other person; and

- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, we and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

4 Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Public Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Public Offer Shares applied for	Amount payable on application *HK$*
500	9,999.77	10,000	199,995.25	200,000	3,999,904.92	7,000,000	139,996,672.20
1,000	19,999.52	15,000	299,992.87	300,000	5,999,857.38	8,000,000	159,996,196.80
1,500	29,999.29	20,000	399,990.49	400,000	7,999,809.84	9,000,000	179,995,721.40
2,000	39,999.05	25,000	499,988.12	500,000	9,999,762.30	10,000,000	199,995,246.00
2,500	49,998.82	30,000	599,985.74	600,000	11,999,714.76	12,863,500(1)	257,263,884.70
3,000	59,998.57	35,000	699,983.36	700,000	13,999,667.22		
3,500	69,998.34	40,000	799,980.98	800,000	15,999,619.68		
4,000	79,998.10	45,000	899,978.61	900,000	17,999,572.14		
4,500	89,997.87	50,000	999,976.23	1,000,000	19,999,524.60		
5,000	99,997.62	60,000	1,199,971.48	2,000,000	39,999,049.20		
6,000	119,997.15	70,000	1,399,966.72	3,000,000	59,998,573.80		
7,000	139,996.67	80,000	1,599,961.97	4,000,000	79,998,098.40		
8,000	159,996.20	90,000	1,799,957.21	5,000,000	99,997,623.00		
9,000	179,995.72	100,000	1,999,952.46	6,000,000	119,997,147.60		

Note:

(1) Maximum number of Hong Kong Public Offer Shares you may apply for.

No application for any other number of the Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

5 Applying through the White Form eIPO Service

General

Individuals who meet the criteria in "– Who Can Apply" above may apply through the **White Form eIPO** service for the Hong Kong Public Offer Shares to be allocated and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to us. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

If you have any questions on how to apply through the **White Form eIPO** service for the Hong Kong Public Offer Shares, please contact the telephone enquiry line of the **White Form eIPO** Service Provider at +852 2862 8600 which is available from 9:00 a.m. to 9:00 p.m. on Friday, June 18, 2021, Monday, June 21, 2021 and Tuesday, June 22, 2021, from 9:00 a.m. to 6:00 p.m. on Saturday, June 19, 2021 and Sunday, June 20, 2021 and from 9:00 a.m. to 12:00 noon on Wednesday, June 23, 2021.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at **www.eipo.com.hk** (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, June 18, 2021 until 11:30 a.m. on Wednesday, June 23, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, June 23, 2021, the last day for applications, or such later time as described in "C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 per each "**Nayuki Holdings Limited**" **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

6 Applying Through CCASS EIPO Service

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants though HKSCC's Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to us, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Share Registrar.

Applying through CCASS EIPO Service

Where you have applied through **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and

- HKSCC Nominees will do the following things on your behalf:

  (i) agree that the Hong Kong Public Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

(ii) agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;

(iii) undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;

(iv) (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

(v) (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as its agent;

(vi) confirm that you understand that we, our Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;

(vii) authorize us to place HKSCC Nominees' name on our register of members as the holder of the Hong Kong Public Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between us and HKSCC;

(viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(ix) confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;

(x) agree that neither none of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, our or their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not contained in this prospectus (and any supplement to this prospectus);

(xi) agree to disclose to us, the Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and/or our or their respective advisers and agents any personal data which we or they may require about you;

(xii) agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

(xiii) agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us, and to become binding when you give the instructions and such collateral contract to be in consideration of our agreeing that we will not offer any Hong Kong Public Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;

(xiv) agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by us;

(xv) agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Hong Kong Public Offer Shares;

(xvi) agree with us, for ourselves and for the benefit of each shareholder (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for us and on behalf of each shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with our Memorandum and Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act; and

(xvii) agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to us or any other person in respect of the things mentioned below:

– instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;

– instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and

– instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, June 18, 2021 – 9:00 a.m. to 8:30 p.m.
Monday, June 21, 2021 – 8:00 a.m. to 8:30 p.m.
Tuesday, June 22, 2021 – 8:00 a.m. to 8:30 p.m.
Wednesday, June 23, 2021 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, June 18, 2021 until 12:00 noon on Wednesday, June 23, 2021 (24 hours daily, except on Wednesday, June 23, 2021, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, June 23, 2021, the last day for applications, or such later time as described in "C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

(1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by us, the Hong Kong Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Public Offer Shares, of the policies and practices of us and our Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Public Offer Shares to supply correct personal data to us or our agents and the Hong Kong Share Registrar when applying for the Hong Kong Public Offer Shares or transferring the Hong Kong Public Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Public Offer Shares being rejected, or in delay or the inability of us or our Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Public Offer Shares which you have successfully applied for and/or the dispatch of Share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Public Offer Shares inform us and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and e-Refund payment instructions/refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Public Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our Register of Members;
- verifying identities of the holders of our Shares;
- establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the Hong Kong Share Registrar to discharge our or their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by us and our Hong Kong Share Registrar relating to the holders of the Hong Kong Public Offer Shares will be kept confidential but we and our Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving banks and overseas principal share registrar;

- where applicants for the Hong Kong Public Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Public Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

We and our Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Public Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Public Offer Shares have the right to ascertain whether we or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in the section headed "Corporate Information" or as notified from time to time, for the attention of the secretary, or our Hong Kong Share Registrar for the attention of the privacy compliance officer.

7 Warning for Electronic Applications

The application for the Hong Kong Public Offer Shares by **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Public Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. We, our Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the **White**

Form eIPO Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, June 23, 2021, the last day for applications, or such later time as described in "C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

8 How Many Applications Can You Make

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Public Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an unlisted company makes an application and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

"**Statutory control**" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The maximum Offer Price is HK$19.80 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Public Offer Shares, you will pay HK$9,999.77.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Stock Exchange trading fee, in full upon application for the Hong Kong Public Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 500 Hong Kong Public Offer Shares. If you make an **electronic application instruction** for more than 500 Hong Kong Public Offer Shares, the number of Hong Kong Public Offer Shares you apply for must be in one of the specified numbers set out in the section "– 4. Minimum Application Amount and Permitted Numbers."

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering – Pricing and Allocation."

C. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, June 23, 2021. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, June 23, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in "Expected Timetable," we will make an announcement on our websites at **www.naixuecha.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

D. PUBLICATION OF RESULTS

We expect to announce the final Offer price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Public Offer Shares on Tuesday, June 29, 2021 on our website at **www.naixuecha.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on our website and the website of the Stock Exchange at **www.naixuecha.com** and **www.hkexnews.hk**, respectively, by no later than 9:00 a.m. on Tuesday, June 29, 2021;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, June 29, 2021 to 12:00 midnight on Monday, July 5, 2021; and

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Tuesday, June 29, 2021, Wednesday, June 30, 2021, Friday, July 2, 2021 and Monday, July 5, 2021.

If we accept your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "Structure of the Global Offering."

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED THE HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with us.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or

- if any supplement to this prospectus is issued, in which case we will notify applicants who have already submitted an application that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

If we or our agents exercise discretion to reject your application:

We, the Joint Global Coordinators, the **White Form eIPO** Service Provider and our and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- Within three weeks from the closing date of the application lists; or
- Within a longer period up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) the Hong Kong Public Offer Shares and the International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- you apply for more than 12,863,500 Hong Kong Public Offer Shares, being 50% of the 25,727,000 Hong Kong Public Offer Shares initially available under the Hong Kong Public Offering;
- we or the Joint Global Coordinators believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Tuesday, June 29, 2021.

G. DISPATCH/COLLECTION OF SHARE CERTIFICATES/E-REFUND PAYMENT INSTRUCTIONS/REFUND CHECKS

You will receive one Share certificate for all Hong Kong Public Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or before Tuesday, June 29, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Wednesday, June 30, 2021, provided that the Global Offering has become unconditional in all respects at or before that time and the right of termination described in the "Underwriting" section in this prospectus has not been exercised.

Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

- ***If you apply through White Form eIPO service:***

  (a) If you apply for 1,000,000 Hong Kong Public Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect any refund checks (where applicable) and/or Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, June 29, 2021, or any other place or date notified by us.

  (b) If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.

  (c) If you apply for less than 1,000,000 Hong Kong Public Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, June 29, 2021 by ordinary post and at your own risk.

(d) If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund check(s) by ordinary post and at your own risk.

- ***If you apply through CCASS EIPO service:***

Allocation of the Hong Kong Public Offer Shares

For the purposes of allocating the Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

(a) If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, June 29, 2021 or on any other date determined by HKSCC or HKSCC Nominees.

(b) We expect to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, we will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Public Offer Shares in the manner as described in "– Publication of Results" above on Tuesday, June 29, 2021. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, June 29, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

(c) If you have instructed your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf, you can also check the number of the Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

(d) If you have applied as a CCASS Investor Participant, you can also check the number of the Hong Kong Public Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the

CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, June 29, 2021. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of the Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

(e) Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your **broker** or **custodian** on Tuesday, June 29, 2021.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

We have made all necessary arrangements to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I–1 to I–77, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NAYUKI HOLDINGS LIMITED (FORMERLY KNOWN AS "PINDAO HOLDINGS LIMITED"), J.P. MORGAN SECURITIES (FAR EAST) LIMITED, CMB INTERNATIONAL CAPITAL LIMITED AND HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Nayuki Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I–4 to I–77, which comprises the combined statements of financial position of the Group as at 31 December 2018, 2019 and 2020, and the statements of financial position of the Company as at 31 December 2019 and 2020, and the combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows, for each of the years ended 31 December 2018, 2019 and 2020 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I–4 to I–77 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 18 June 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 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

Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2019 and 2020 and the Group's financial position as at 31 December 2018, 2019 and 2020, and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I–4 have been made.

Dividends

We refer to note 28(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

No historical financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 June 2021

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

COMBINED STATEMENTS OF PROFIT OR LOSS

(Expressed in Renminbi)

	Note	For the years ended 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000
Revenue	4	1,086,826	2,501,510	3,057,181
Other income	5	2,526	5,604	205,951
Cost of materials		(383,950)	(915,653)	(1,159,322)
Staff costs	6(b)	(340,205)	(750,724)	(919,096)
Depreciation of right-of-use assets	6(c)	(120,353)	(261,417)	(352,912)
Other rentals and related expenses	6(c)	(73,216)	(127,379)	(100,568)
Depreciation and amortisation of other assets	6(c)	(39,847)	(92,534)	(154,117)
Advertising and promotion expenses		(39,384)	(67,484)	(82,172)
Delivery service fees		(10,796)	(64,435)	(167,369)
Utilities expenses		(23,632)	(51,659)	(66,909)
Logistic and storage fees		(12,039)	(39,891)	(56,710)
Other expenses		(44,544)	(80,267)	(123,655)
Other net losses	6(d)	(2,617)	(2,176)	(7,382)
Finance costs	6(a)	(46,160)	(96,185)	(130,258)
Fair value changes of financial liabilities at fair value through profit or loss ("FVTPL")	22	–	–	(132,757)
Loss before taxation	6	(47,391)	(42,690)	(190,095)
Income tax	7(a)	(22,338)	3,010	(13,207)
Loss for the year		(69,729)	(39,680)	(203,302)
Attributable to:				
Equity shareholders of the Company		(66,003)	(38,550)	(201,872)
Non-controlling interests		(3,726)	(1,130)	(1,430)
Loss for the year		(69,729)	(39,680)	(203,302)
Loss per share				
Basic and diluted	10	N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	For the years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Loss for the year	(69,729)	(39,680)	(203,302)
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of:			
– financial statements of overseas subsidiaries	–	(3)	4,384
Total comprehensive income for the year	(69,729)	(39,683)	(198,918)
Attributable to:			
Equity shareholders of the Company	(66,003)	(38,553)	(197,488)
Non-controlling interests	(3,726)	(1,130)	(1,430)
Total comprehensive income for the year	(69,729)	(39,683)	(198,918)

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

		As at 31 December		
	Note	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property and equipment	*11*	254,021	450,608	587,116
Right-of-use assets	*11*	726,818	1,170,414	1,240,066
Intangible assets	*12*	–	1,096	1,051
Investment in an associate	*14*	–	–	–
Deferred tax assets	*26(b)*	4,130	28,032	27,596
Rental deposits		58,090	101,881	126,695
Prepayments	*16*	15,526	4,021	1,667
		1,058,585	1,756,052	1,984,191
Current assets				
Inventories	*15(a)*	37,674	77,753	103,061
Trade and other receivables	*16*	61,246	136,047	725,004
Restricted bank deposits	*17*	–	–	100
Cash and cash equivalents	*17*	185,788	81,296	501,753
		284,708	295,096	1,329,918
Current liabilities				
Trade and other payables	*18*	241,449	390,480	500,676
Contract liabilities	*19*	14,902	44,900	78,551
Bank loans	*20*	1,500	54,500	283,120
Redeemable capital contributions	*21*	410,115	438,060	465,309
Financial liabilities at FVTPL	*22*	–	–	361,881
Convertible redeemable preferred shares	*23*	–	–	652,490
Lease liabilities	*24*	167,409	291,700	364,733
Current taxation	*26(a)*	14,296	6,794	21,431
		849,671	1,226,434	2,728,191

The accompanying notes form part of the Historical Financial Information.

		As at 31 December		
	Note	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Net current liabilities		(564,963)	(931,338)	(1,398,273)
Total assets less current liabilities		493,622	824,714	585,918
Non-current liabilities				
Interest-bearing borrowing	*20*	–	–	438
Lease liabilities	*24*	595,647	961,915	991,993
Provisions	*25*	6,950	11,477	13,858
Deferred tax liabilities	*26(b)*	808	788	4,046
		603,405	974,180	1,010,335
NET LIABILITIES		(109,783)	(149,466)	(424,417)
CAPITAL AND RESERVES	*28*			
Share capital	*28(a)*	100	100	422
Reserves	*28(c)*	(107,356)	(146,258)	(424,839)
Total deficit attributable to equity shareholders of the Company		(107,256)	(146,158)	(424,417)
Non-controlling interests		(2,527)	(3,308)	–
TOTAL DEFICIT		(109,783)	(149,466)	(424,417)

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000
Non-current asset			
Investment in subsidiaries	13	–	36,590
Current assets			
Trade and other receivables	16	–	546,288
Cash and cash equivalents		–	14,979
		–	561,267
Current liabilities			
Trade and other payables		–	5,671
Financial liabilities at FVTPL		–	164,754
Convertible redeemable preferred shares	23	–	652,490
		–	822,915
Net current liabilities		–	(261,648)
Total assets less current liabilities		–	(225,058)
NET LIABILITIES		–	(225,058)
CAPITAL AND RESERVES			
Share capital	28(a)	–	322
Reserves	28(c)	–	(225,380)
TOTAL DEFICIT		–	(225,058)

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

		Attributable to equity shareholders							
	Note	Share capital	Capital reserve	Share-based payments reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total deficit
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		note 28(a)	note 28(c)(i)	note 28(c)(ii)	note 28(c)(iii)			note 28(e)	
Balance at 1 January 2018		100	–	–	–	(41,353)	(41,253)	(995)	(42,248)
Changes in equity for the year ended 31 December 2018:									
Loss for the year		–	–	–	–	(66,003)	(66,003)	(3,726)	(69,729)
Total comprehensive income		–	–	–	–	(66,003)	(66,003)	(3,726)	(69,729)
Capital contributions from non-controlling interests	28(e)	–	–	–	–	–	–	813	813
Disposal of a subsidiary	28(f)	–	–	–	–	–	–	1,381	1,381
Balance at 31 December 2018 and 1 January 2019		100	–	–	–	(107,356)	(107,256)	(2,527)	(109,783)
Changes in equity for the year ended 31 December 2019:									
Loss for the year		–	–	–	–	(38,550)	(38,550)	(1,130)	(39,680)
Other comprehensive income		–	–	–	(3)	–	(3)	–	(3)
Total comprehensive income		–	–	–	(3)	(38,550)	(38,553)	(1,130)	(39,683)
Acquisition of non-controlling interest	28(c)(i)	–	(349)	–	–	–	(349)	349	–
Balance at 31 December 2019		100	(349)	–	(3)	(145,906)	(146,158)	(3,308)	(149,466)

The accompanying notes form part of the Historical Financial Information.

		Attributable to equity shareholders							
	Note	Share capital	Capital reserve	Share-based payments reserve	Exchange reserve	Accumulated losses	Total	Non-controlling interests	Total deficit
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		note 28(a)	note 28(c)(i)	note 28(c)(ii)	note 28(c)(iii)			note 28(e)	
Balance at 1 January 2020		100	(349)	–	(3)	(145,906)	(146,158)	(3,308)	(149,466)
Changes in equity for the year ended 31 December 2020:									
Loss for the year		–	–	–	–	(201,872)	(201,872)	(1,430)	(203,302)
Other comprehensive income		–	–	–	4,384	–	4,384	–	4,384
Total comprehensive income		–	–	–	4,384	(201,872)	(197,488)	(1,430)	(198,918)
Issuance of ordinary shares		326	–	–	–	–	326	–	326
Acquisition of non-controlling interests	28(c)(i)	–	(4,738)	–	–	–	(4,738)	4,738	–
Equity settled share-based transactions	27	–	–	14,199	–	–	14,199	–	14,199
Shares issued under the Share Option Plan	(i)	2	13,567	(3,844)	–	–	9,725	–	9,725
Re-designation of ordinary shares to Series C Preferred Shares	(ii)	(6)	(100,277)	–	–	–	(100,283)	–	(100,283)
Balance at 31 December 2020		422	(91,797)	10,355	4,381	(347,778)	(424,417)	–	(424,417)

Note (i): The shares issued was related to the exercised shares granted under the Share Option Plan by the Company during the year (note 27).

(ii): This represent the deemed repurchase and re-designation of ordinary shares. The par value and difference between fair value and par value of ordinary shares are debited to share capital and capital reserve accordingly (note 28).

The accompanying notes form part of the Historical Financial Information.

COMBINED STATEMENTS OF CASH FLOWS

(Expressed in Renminbi)

	Note	For the years ended 31 December 2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
Operating activities				
Cash generated from operations	*17(b)*	208,338	445,642	568,408
Income tax paid	*26(a)*	(7,549)	(29,788)	(2,543)
Income tax refunded	*26(a)*	–	–	8,480
Net cash generated from operating activities		200,789	415,854	574,345
Investing activities				
Acquisition of subsidiaries		–	–*	–
Disposal of a subsidiary		(508)	–	–
Payment for purchases of property and equipment		(209,405)	(289,783)	(243,397)
Proceeds from disposal of property and equipment		871	587	651
Payment for purchases of intangible assets		–	(1,164)	(94)
Payment for provisions		(32)	(725)	(1,262)
Purchase of financial assets		–	–	(30,000)
Proceeds from financial assets		–	–	30,247
Payment for investment in an associate		(231)	–	–
Net cash used in investing activities		(209,305)	(291,085)	(243,855)

* The balance represents amount less than RMB1,000.

The accompanying notes form part of the Historical Financial Information.

	Note	For the years ended 31 December 2018	2019	2020
		RMB'000	RMB'000	RMB'000
Financing activities				
Proceeds from bank loans and interest-bearing borrowing	*17(c)*	48,000	62,000	374,974
Repayment of bank loans	*17(c)*	(46,500)	(9,000)	(152,620)
Proceeds from issuance of redeemable capital contributions	*17(c)*	300,000	–	–
Repayment of redeemable capital contributions arising from reorganisation		–	–	(11,000)
Proceeds from issuance of warrants, onshore loans and convertible note	*17(c)*	–	–	234,466
Payment of capital element and interest element of lease liabilities	*17(c)*	(108,243)	(266,505)	(342,908)
Interest of bank loans paid	*17(c)*	(1,121)	(440)	(8,924)
Proceeds from policy-based discount interest		–	–	1,000
Placement of restricted bank deposits		–	–	(10,000)
Release of restricted bank deposits		–	–	10,000
Capital injection from non-controlling interest of a subsidiary		813	–	–
Listing expenses paid		–	–	(684)
Advances from related parties	*17(c)*	25,550	13,469	6,485
Repayments of advances from related parties	*17(c)*	(37,547)	(28,440)	(8,866)
Net cash generated from/(used in) financing activities		180,952	(228,916)	91,923
Net increase/(decrease) in cash and cash equivalents		172,436	(104,147)	422,413
Cash and cash equivalents at the beginning of the year	*17(a)*	13,352	185,788	81,296
Effect of foreign exchange rate changes		–	(345)	(1,956)
Cash and cash equivalents at the end of the year	*17(a)*	185,788	81,296	501,753

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

1.1 General information

Nayuki Holdings Limited ("the Company") (formerly known as Pindao Holdings Limited) was incorporated in the Cayman Islands on 5 September 2019 as an exempted company with limited liability under the Companies Act of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation below. The Company and its subsidiaries (together as "the Group") are principally engaged in the sales of freshly-made tea drinks, baked goods and other products ("the Business") in the People's Republic of China (the "PRC").

1.2 Reorganisation and basis of presentation

Prior to the incorporation of the Company, the Business were carried out through Shenzhen Pindao Food & Beverage Management Co., Ltd. ("Shenzhen Pindao Management") and its subsidiaries established in the PRC (together referred to as the "Shenzhen Pindao Group"), which are ultimately owned and controlled by Mr. Zhao Lin and Ms. Peng Xin (collectively "the Founders" or "the Controlling Shareholders"). To rationalise the corporate structure in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a reorganisation ("Reorganisation"), as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. Upon completion of the Reorganisation, the Company became the holding company of the companies now comprising the Group. As all companies now comprising the Group were controlled by the Founders before and after the Reorganisation, there were no changes in the economic substances of the ownership and the business of the Group during the Relevant Periods. The Reorganisation only involved inserting newly formed investment holding entities with no substantive operations as the new holding companies of Shenzhen Pindao Management. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the combined financial statements of Shenzhen Pindao Management with the assets and liabilities of Shenzhen Pindao Group recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information. The Reorganisation had been completed subsequent to the Relevant Periods in January 2021.

The combined statements of profit or loss, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Relevant Periods include the financial performance and cash flows of the companies now comprising the Group (or where the companies were incorporated at a date later than 1 January 2018, for the period from the date of incorporation to 31 December 2020). The combined statements of financial position of the Group as at 31 December 2018, 2019 and 2020 have been prepared to present the financial position of the companies now comprising the Group as at those dates, taking into account the respective dates of incorporation, establishment or acquisition, where applicable.

1.3 Subsidiaries

As at the date of this report, no audited financial statements have been prepared for the Company, as it has not carried on any business since the date of incorporation and is an investment holding company and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Pindao Holdings Limited *(note (b))*	the British Virgin Islands ("BVI") 05/09/2019	Nil	100%	–	Investment Holding
Pindao Holdings Hong Kong Limited *(note (c))*	Hong Kong 09/10/2019	Nil	–	100%	Investment Holding
Shenzhen Pindao Group Co.,Ltd. (深圳市品道集團有限公司,"Shenzhen Pindao Group") *(note (a)(b))*	The PRC 17/12/2019	RMB611,849,700	–	100%	Investment Holding
Shenzhen Pindao Management (深圳市品道餐飲管理有限公司) *(note (a)(b)(d)(e)(g))*	The PRC 12/05/2014	RMB1,343,053	–	100%	Store operations management
Shenzhen Tai Gai Food & Beverage Management Co., Ltd. (深圳市台蓋餐飲管理有限公司) *(note (a)(b)(d)(e)(g))*	The PRC 21/04/2016	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Shenzhen Nayuki Food & Beverage Management Co., Ltd. (深圳市奈雪餐飲管理有限公司) *(note (a)(b)(d)(e)(g))*	The PRC 21/04/2016	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Xi'an Nayuki Food & Beverage Management Co., Ltd. (西安奈雪餐飲管理有限公司, "Xi'an Nayuki") *(note (a)(b)(d)(e)(g))*	The PRC 28/09/2017	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Beijing Nayuki Food & Beverage Management Co., Ltd. (北京奈雪餐飲管理有限公司) *(note (a)(b)(d)(e)(g))*	The PRC 13/11/2017	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Shanghai Nayuki Food & Beverage Management Co., Ltd. (上海奈雪餐飲管理有限公司, "Shanghai Nayuki") *(note (a)(b)(d)(e)(g))*	The PRC 05/12/2017	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Hangzhou Nayuki Food & Beverage Management Co., Ltd. (杭州奈雪餐飲管理有限公司, "Hangzhou Nayuki") *(note (a)(b)(d)(e)(g))*	The PRC 17/11/2017	RMB50,000	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Xiamen Nayuki Food & Beverage Management Co., Ltd. (廈門市奈雪餐飲管理有限公司) *(note (a)(b)(d)(e)(g))*	The PRC 27/04/2018	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Wuhan Tai Gai Food & Beverage Management Co., Ltd. (武漢市台蓋餐飲管理有限公司) *(note (a)(b)(d)(e)(g))*	The PRC 09/11/2017	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Chengdu Tai Gai Food & Beverage Management Co., Ltd. (成都市台蓋餐飲管理有限公司) *(note (a)(b)(d)(e)(g))*	The PRC 28/08/2017	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Nanjing Manyida Food & Beverage Management Co., Ltd. (南京滿意達餐飲管理有限公司, "Nanjing Manyida") *(note (a)(b)(d)(e)(g))*	The PRC 23/11/2017	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Shenzhen Pindao Food Co., Ltd. (深圳市品道食品有限公司) *(note (a)(b))*	The PRC 11/09/2017	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Guangzhou Nayuki Food & Beverage Management Co., Ltd. (廣州市奈雪餐飲管理有限公司) *(note (a)(b)(d)(e)(g))*	The PRC 20/11/2017	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Nanjing Nayuki Food & Beverage Management Co., Ltd. (南京奈雪餐飲管理有限公司, "Nanjing Nayuki") *(note (a)(b)(d)(e)(g))*	The PRC 18/04/2018	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Pindao Food & Beverage Management Co., Ltd. (品道餐飲管理有限公司) *(note (f))*	Hong Kong 17/12/2018	HKD300,000	–	100%	Sales of freshly-made tea drinks, baked goods and other product

Name of company	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Pindao New Jersey Ltd. *(note (b))*	the United States of America 14/08/2019	USD1,000	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Pindao Company Limited *(note (b))*	Japan 04/09/2019	JPY19,935,200	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Fuzhou Nayuki Food & Beverage Management Co., Ltd. (福州市奈雪餐飲管理有限公司) *(note (a)(b)(g))*	The PRC 08/01/2020	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Guiyang Nayuki Food & Beverage Management Co., Ltd. (貴陽市奈雪餐飲管理有限公司) *(note (a)(b)(g))*	The PRC 22/09/2020	Nil	–	100%	Sales of freshly-made tea drinks, baked goods and other product
Shenzhen Pindao Supply Chain management Co., Ltd. (深圳市品道供應鏈管理有限公司, "Pindao Supply Chain") *(note (a)(b)(g))*	The PRC 26/04/2020	Nil	–	100%	Supply chain management
Shenzhen Pindao technology service Co., Ltd. (深圳市品道科技服務有限公司, "Pindao Technology") *(note (a)(b)(g))*	The PRC 21/05/2020	Nil	–	100%	Brand management
Shenzhen Pindao research & development Co., Ltd (深圳市品道科技研發有限公司, "Pindao R&D") *(note (a)(b)(g))*	The PRC 26/04/2020	RMB10,000,000	–	100%	Software development
Shenzhen Pindao Food & Beverage Chain Co., Ltd. (深圳市品道餐飲連鎖有限公司, "Pindao Chain") *(note (a)(b))*	The PRC 01/11/2019	Nil	–	100%	Store management
Shenzhen Pindao Life Science & Technology Co., Ltd. (深圳市品道生活科技有限公司, "Pindao Life") *(note (a)(b)(g))*	The PRC 06/12/2019	Nil	–	100%	Online sales

Notes:

(a) The official names of these entities are in Chinese. The English translation of the names is for identification only.

(b) These entities were not subject to statutory audit requirement under the relevant rules and regulations in the jurisdiction of incorporation.

(c) The statutory financial statements of Pindao Holdings Hong Kong Limited for the year ended 31 December 2019 and 2020 were not yet available as at the date of this report.

(d) The entities voluntarily prepared the financial statements for the year ended 31 December 2018 in accordance with the Accounting Standards for Business Enterprises (the "PRC GAAP"). The financial statements were audited by Chengzheng Certified Public Accountants of Shenzhen (General Partnership) (深圳誠正會計師事務所(普通合夥)).

(e) The entities voluntarily prepared the financial statements for the year ended 31 December 2019 in accordance with PRC GAAP. The financial statements were audited by Chengzheng Certified Public Accountants of Shenzhen (General Partnership) (深圳誠正會計師事務所(普通合夥)).

(f) The entity prepared the financial statements for the year ended 31 December 2019 in accordance with the Hong Kong Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") issued by the HKICPA and have been properly prepared in compliance with the Hong Kong Companies Ordinance. The financial statements were audited by AYC CPA LIMITED, certified public accountants registered in Hong Kong. The statutory financial statements of Pindao Food & Beverage Management Co., Ltd. for the year ended 31 December 2020 was not yet available as at the date of this report.

(g) The entities voluntarily prepared the financial statements for the year ended 31 December 2020 in accordance with PRC GAAP. The financial statements were audited by Shenzhen Darshan Certified Public Accountants (General Partnership) (深圳市德晟會計師事務所(普通合夥)).

All companies now comprising the Group have adopted 31 December as their financial year end date.

1.4 Basis of preparation

As at 31 December 2020, the Group had net current liabilities of RMB1,398,273,000, including redeemable capital contributions amounting to RMB465,309,000, warrants, onshore loans and convertible note amounting to RMB361,881,000 and convertible redeemable preferred shares amounting to RMB652,490,000. Based on projection of the Group's profit and cash inflows from operations, secured financing from the rollover of the Group's banking facilities to finance its continuing operations and considering that the redemption and conversion rights of above mentioned financial instruments would be terminated upon listing and would be converted into equity, the management of the Group are of the opinion that the Group has sufficient financial resources to continue as a going concern for the next twelve months. Therefore, the management of the Group are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods, including IFRS 9, *Financial Instruments*, IFRS 15, *Revenue from contracts with customers* and IFRS 16, *Leases*, consistently throughout the Relevant Periods. Except the early adoption of Amendment to IFRS 16, Leases, *COVID-19-Related Rent Concessions*, the Group has not applied any new standard or interpretation that is not yet effective during the Relevant Periods. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2020 are set out in note 33.

The adoption of IFRS 9 and IFRS 15 did not has significant impact on the Group's financial position and performance throughout the Relevant Periods when compared to those that would have been presented under IAS 39, *Financial Instruments: Recognition and Measurement*, and IAS 18, *Revenue*.

IFRS 16 is effective for the accounting period beginning on or after 1 January 2019 and earlier application is permitted for entities that adopt IFRS 15 on or before the date of initial application of IFRS 16. The Group has elected to adopt IFRS 16 consistently throughout the Relevant Periods. The adoption of IFRS 16 primarily affects the Group's accounting as a lessee of leases for properties outlets and warehouses which are classified as operating leases under IAS 17, *Leases*. Upon the adoption of IFRS 16, according to the accounting policies described in note 2(g), at the lease commencement date, the Group as a lessee recognise a right-of-use assets and a lease liabilities for all fixed-rate leases, except for short-term leases with lease term of 12 months or less and lease of low-value assets.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of measurement

Item included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "Functional Currency"). The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand expect for losses per share information. The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that financial liabilities at FVTPL and convertible redeemable preferred shares are stated at fair value as explained in note 2(q) and note 2(r) respectively.

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgements made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Consolidation

Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statements of profit or loss and the combined statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(d)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)).

(d) Associate

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the Historical Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(h)(i)).

Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the combined statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the combined statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have joint control over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

(e) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)). Construction in progress represents property and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	Over the shorter of the lease term or the estimated useful life of the asset
Kitchen equipment	3 – 5 years
Furniture equipment	3 – 5 years
Electronic equipment and others	3 – 5 years

Both the useful life of an asset and its residual value, if any, are reviewed at each reporting period.

(f) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(h)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

– Software	10 years

Both the period and method of amortisation are reviewed annually.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are apartments and storage. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting year in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(e) and 2(h)(ii)). The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property and equipment.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

The Group presents right-of-use assets and lease liabilities separately in the statements of financial position.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on the financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(v)(ii) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the year in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property and equipment, and right-of-use assets;

– intangible assets; and

– investments in subsidiaries in the Company's statements of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cost of inventories are calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

(j) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(v)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(h)(i).

(m) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

The re-designation of ordinary shares held by the Controlling Shareholders to preferred shares was accounted for as deemed repurchase of ordinary shares and deemed issuance of preferred shares. The deemed repurchase of ordinary shares is measured at fair value of ordinary shares and debited to share capital and capital reserves accordingly, and the deemed issuance of preferred shares is measured at fair value of the preferred shares issued. The difference between fair value of ordinary shares and preferred shares is recognised as share-based compensation expenses since the holders of ordinary shares deemed to be repurchased are employees of the Group.

Convertible redeemable preferred shares are classified as financial liabilities, see note 2 (r) and note 23.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Redeemable capital contributions

Redeemable capital contributions are classified as financial liabilities as they are redeemable on a specific date or at the option of the shareholders (including options that are only exercisable in case of triggering events having occurred). The liability is recognised and measured in accordance with the Group's policy for interest-bearing borrowings set out in note 2(p) and accordingly dividends thereon are recognised on an accrual basis in profit or loss as part of finance costs.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(y)).

(q) Warrants and onshore loans and convertible note

(i) Warrants and onshore loans

During the Relevant Periods, the Company had issued warrants to its investors. Upon an exercise of the warrants which is subject to some specified events, the investors will be issued with certain series of preferred shares. In connection to the issuance of the warrants, the investors had provided onshore loans to one of the subsidiaries of the Group. The consideration received is initially allocated to the warrants and onshore loans. The warrants and onshore loans are accounted for separately. Upon the investors exercise the warrants, the subsidiary of the Group is required to repay the onshore loans to the investors, which will be used to pay for the exercise price of the warrants.

Warrants liabilities are initially recognised at fair value on the date the warrants are issued and are subsequently re-measured to their fair value at the end of each reporting period.

Onshore loans contain embedded derivatives such as the extension feature. The loans are accounted for in their entirety at fair value. Subsequent to initial recognition, the onshore loans are re-measured to their fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of the onshore loans that are attributable to changes in their own credit risk are presented in other comprehensive income.

(ii) Convertible note

During the Relevant Periods, the Company had issued a convertible note to its investor. The convertible note is automatically converted into certain series of preferred shares upon an occurrence of some specified events. The convertible note contains both a debt component and an embedded derivative component (conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments). The convertible note is accounted in its entirety at fair value. Subsequent to initial recognition, the convertible note is re-measured to fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of the convertible note that are attributable to changes in its own credit risk are presented in other comprehensive income.

(r) Convertible redeemable preferred shares

During the Relevant Periods, the Company had entered into share purchase agreements with a financial investor and had issued Series C Preferred Shares which are redeemable upon occurrence of certain future events. This instrument will be automatically converted into ordinary shares upon the closing of an Initial Public Offering ("IPO") of the Company.

The Group designated the convertible redeemable preferred shares as financial liabilities at FVTPL. They are initially recognised at fair value. Subsequent to initial recognition, the convertible redeemable preferred shares are re-measured to fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of the convertible redeemable preferred shares that are attributable to changes in its own credit risk are presented in other comprehensive income.

(s) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contribution to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(iii) Share-based payments

The Group operates share incentive plan, under which it receives services from director and employees as consideration for equity instruments (including share options and Restricted Share Units ("RSUs")) of the Group. The fair value of the services received in exchange for the grant of the equity instruments (share options and RSUs) is recognised as an expense in the combined statements of profit or loss.

Share options

For grant of share options, the total amount to be expensed is determined by reference to the fair value of the options granted by using option-pricing models:

– including any market performance conditions;

– excluding the impact of any service and non-market performance vesting conditions; and

– including the impact of any non-vesting conditions.

The total expense is recognised over the vesting year, which is the year over which all of the specified vesting conditions are to be satisfied. At the end of each year, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

RSUs

For grant of RSUs, the total amount to be expensed is determined by reference to the fair value of the Group's shares at the grant date.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of RSUs that are expected to vest based on service condition. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Share-based payment transaction among group entities

The grant by the Company of share incentive plan over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

Modifications and Cancellations

The Group may modify the terms and conditions on which share incentive awards were granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognised for the services received over the remainder of the vesting year.

A grant of share incentive awards, that is cancelled or settled during the vesting year, is treated as an acceleration of vesting. The Group immediately recognises the amount that otherwise would have been recognised for services received over the remainder of the vesting year.

(t) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same year as the expected reversal of the deductible temporary difference or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a year, or years, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(u) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue and other income

The Group has applied IFRS 15 *Revenue from Contracts with Customers* for the years presented.

Income is classified by the Group as revenue when it arises from the sales of goods and the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

The Group principally generates its revenue from the sales of freshly-made tea drinks, baked goods and other products through its operating teahouses and online food delivery applications. The Group's revenue is derived from the following sources:–

– *Sales of freshly-made tea drinks*

Revenue from sales of freshly-made tea drinks are related to the sales of various freshly-made tea drinks such as fruit tea drinks. Revenues from the sales of freshly-made tea drinks are recognised at the point in time when the customers accept the ordered products and the control over the products is transferred to the customer. For orders from online food delivery applications, revenues are recognised at the point in time when the goods are delivered to the customers, which is the point of time and the control over the products is transferred to the customer.

– *Sales of baked goods and other products*

Revenues from sales of baked goods and other products are related to the sales of breads and other baked goods such as cakes and desserts which complement the freshly-made tea drinks. Other products are primarily derived from the sales of freshly cut fruits, decorative, seasonal gift boxes and accessories related to the Group's products. Revenues from sales of baked goods and other products are recognised at the point in time when the customers accept the ordered products and the control over the products is transferred to the customer. For orders from online food delivery applications, revenues are recognised at the point in time when the goods are delivered to the customers, which is the point of time and the control over the products is transferred to the customer.

Discount vouchers and free vouchers for complimentary drinks and baked products

From time to time, the Group offers its customers discount vouchers and free vouchers for complimentary drinks, baked goods and other products. The discount vouchers and free vouchers for complimentary drinks, baked goods and other products can be obtained through three channels: (i) from qualified purchases when the customers reach certain amount of spending; (ii) from redemption of membership points accumulated from the membership programs of the Group; (iii) distributed for free of charge by the Group through various promotional and advertising activities.

As the discount vouchers and free vouchers for complimentary drinks, baked goods and other products obtained through channels (i) and (ii) are issued concurrent with a revenue transaction, the Group estimates the value of the future redemption obligation based on the estimated value of the products for which the discount vouchers and free vouchers for complimentary drinks, baked goods and other products are expected to be redeemed, and recognises the estimated fair value in the combined statements of financial position as contract liability. Subsequently, contract liability is recognised as revenue at the point in time when the customer redeems the discount vouchers and free vouchers for complimentary drinks, baked goods and other products in future purchases, or when the Group is legally released from its obligation based on the expiration date of the discount vouchers and free vouchers.

For discount vouchers obtained through channel (iii) for which the granting of such discount vouchers does not occur concurrently with a revenue transaction, the discount vouchers are not accounted for when such vouchers are granted and can only be applied to future purchases of certain specified products of the Group. The Group recognises as a reduction in revenue when the customers apply the discount vouchers in future purchases.

Prepared cards

The Group also offers prepaid cards to its customers and the cash consideration received from the sales of prepaid cards are recognised as contract liabilities. Revenues are recognised upon the usage of the prepaid cards.

Membership program

The Group offers customers a membership program for which its customers can earn membership points from qualified purchases. The membership points can be used to redeem discount vouchers, cell phone accessories and other accessories related to the brandings of the Group.

Customers membership points earned through qualified purchases are considered as a separate performance obligation arising from transactions with customers. The Group estimates the value of the future redemption obligation based on the estimated value of the products for which the membership points are expected to be redeemed based on historical redemption patterns, including an estimate of the breakage for points that will not be redeemed.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method.

(iii) Government grants

Government grants are recognised in the statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same years in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Policy-based discount interest on loans obtained by the Group is directly allocated to the Group, with the corresponding interest discounts offsetting related borrowing costs.

(iv) Service income

Service income is related to the Group's offer of certain spaces to portable mobile phone charger's provider for the instalment of the portable mobile phone charger facilities within the Group teahouse for the conveniences of its customers. Service income is recognised overtime when the Group satisfies the performance obligation according to the rental service contract.

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statements of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(x) Research and development expenses

Research and development expenses comprise all expenses that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Research and development expenses are recognised as expenses in the year in which they are incurred.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial year of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 29 contains information about the assumptions and their risk factors relating to fair value of financial liabilities. Other significant sources of estimation uncertainty in the process of applying the Group's accounting policies are as follows:

(i) Recognition of deferred tax assets

Deferred tax assets are recognised in respect of deductible temporary differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it become probable that future taxable profits will allow the deferred tax assets to be recovered.

(ii) Impairment of property and equipment and right-of-use assets

Internal and external sources of information are reviewed at the end of each reporting period to assess whether there is any indication that property and equipment or right-of-use assets may be impaired. If any such indication exists, the recoverable amount of the property and equipment and right-of-use assets is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years.

(iii) Depreciation

Property and equipment, and right-of-use assets, are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets. The depreciation expense for future years is adjusted if there are material changes from previous estimates.

(iv) Provision for restoration costs

As explained in note 2(u), the Group makes provision for restoration costs based on the best estimate of the expected costs to be incurred upon expiry of the respective rental agreements, which are subject to uncertainty and might differ from the actual costs incurred. Any increase or decrease in the provision would affect profit or loss in future.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group principally generates its revenue from the sales of freshly-made tea drinks, baked goods and other products through its operating teahouses and online food delivery applications mainly in the PRC.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products and timing of revenue recognition is as follows:

	For the years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by major products			
– Sales of freshly-made tea drinks	790,944	1,824,177	2,322,849
– Sales of baked goods and other products	295,882	677,333	734,332
	1,086,826	2,501,510	3,057,181
Disaggregated by timing of revenue recognition			
– A point in time	1,086,826	2,501,510	3,055,976
– Over time	–	–	1,205
	1,086,826	2,501,510	3,057,181

For each year during the Relevant Periods, the Group did not have any customer with revenue from the individual customer exceeded 10% of the Group's total revenue for the respective year.

(ii) Performance obligation and revenue recognition policies

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer. The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of product/service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Freshly-made tea drinks, baked goods and other products	Customers obtain control of the products when the goods are delivered to and have been accepted by the customers at the point in time.	Revenue is recognised when the goods are delivered and have been accepted by customers at their premises.
Service income from contracts with portable mobile phone charger's provider	The Company provide service to the portable mobile phone charger's provider over a period of time, generally within 12 to 36 months.	Revenue is recognised overtime as the services are provided, which is expected over next 12 to 36 months.

(iii) Revenue expected to be recognised in the future arising from contracts in existence as at the end of each of the reporting period

Contracts within the scope of IFRS 15

As at 31 December 2018, 2019 and 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB14,902,000, RMB44,900,000 and RMB78,551,000 respectively. This amount represents revenue expected to be recognised in the future when the Group satisfies the remaining performance obligations, which is expected to occur over the next 2 weeks to 36 months.

(b) Segment reporting

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group has one operating segment, which is the sales of freshly-made tea drinks, baked goods and other products. The Group's chief operating decision maker is the chief executive officer of the Group who reviews the Group's combined results of operations in assessing performance of and making decisions about allocations to this segment.

Accordingly, no reportable segment information is presented.

As substantially all of the Group's operations and assets are in the PRC, no geographic information is presented.

5 OTHER INCOME

	For the years ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Interest income on:			
– bank deposits	226	596	1,533
– rental deposits	1,993	4,357	5,952
– other financial assets	–	–	247
Government grants *(note (i))*	307	613	17,877
Income from output VAT exemption *(note (ii))*	–	–	180,342
Others	–	38	–
	2,526	5,604	205,951

Notes:

(i) Government grants mainly represented unconditional cash awards granted by the government authorities in the PRC.

(ii) The amount represents the Group's entitlement to VAT exemption in accordance with the Announcement on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of COVID-19 (《關於支持新型冠狀病毒感染的肺炎疫情防控有關稅收政策的公告》) issued by the Ministry of Finance and the State Taxation Administration. There were no unfulfilled conditions or other contingencies attached to the entitlements of such VAT exemption. There is no assurance the Group will continue to enjoy such VAT exemption in the future.

The Group had recorded non-recurring income from output VAT exemption amounting to RMB180,342,000 based on the Group's entitlement to the VAT exemption policy mentioned above during the year ended 31 December 2020. At the same time, to comply with the exemption policy, the input VAT incurred in the procurement had been debited to the corresponding cost and expense accounts amounting to RMB172,413,000, collectively.

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	For the years ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
(a) Finance costs			
Interest on bank loans *(note 20)*	1,121	440	8,924
Less: policy-based discount interest *(note (i))*	–	–	(1,000)
Interest on redeemable capital contributions *(note 21)*	13,149	27,945	38,249
Interest on lease liabilities *(note 24)*	31,576	67,195	83,234
Interest on provisions *(note 25)*	314	605	851
	46,160	96,185	130,258

Note (i): Policy-based discount interest represents an interest discount for loan interest entitled by the Group as a result of the successful application for the incentive (南山區關於開通疫情期間貸款貼息項目申報的通知) by the government authorities to support entitled enterprises during the outbreak of COVID-19 in PRC.

	For the years ended 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000
(b) Staff costs (including directors' emoluments)			
Salaries, wages and other benefits	320,148	707,518	853,579
Contributions to defined contribution retirement plan	20,057	43,206	20,059
Equity-settled share-based payment expenses *(note 27)*	–	–	45,458
	340,205	750,724	919,096

	For the years ended 31 December 2018 RMB'000	2019 RMB'000	2020 RMB'000
(c) Other items			
Amortisation *(note 12)*	–	68	139
Depreciation *(note 11)*			
– property and equipment	39,847	92,466	153,978
– right-of-use assets	120,353	261,417	352,912
	160,200	353,883	506,890
Impairment losses on non-financial assets			
– property and equipment *(note 11(a))*	2,590	8,109	2,045
– right-of-use assets *(note 11(a))*	2,264	4,098	1,155
– investment in an associate *(note 14)*	1,502	–	–
	6,356	12,207	3,200
Other rentals and related expenses	73,216	127,379	100,568
Listing expenses	–	–	11,410
Cost of inventories[#] *(note 15(b))*	383,950	915,653	1,159,322
Write-down of inventories *(note 15(b))*	348	657	602
(d) Other net losses/(income)			
Losses on disposal of non-current assets	1,598	3,414	6,173
Losses on stores closures	183	576	4,289
Gains on reassessment of right-of-use assets and lease liabilities	(761)	(2,582)	(4,964)
Others	1,597	768	1,884
	2,617	2,176	7,382

[#] Cost of inventories mainly represented raw materials and consumables consumed during the sales of freshly-made tea drinks, baked goods and other products.

7 INCOME TAX IN THE COMBINED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the combined statements of profit or loss represents:

	For the years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
Provision for the year	19,699	20,912	9,513
Deferred tax			
Origination and reversal of temporary differences *(note 26)*	2,639	(23,922)	3,694
	22,338	(3,010)	13,207

(b) Reconciliation between tax expense/(credit) and accounting loss at applicable tax rates:

	For the years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	(47,391)	(42,690)	(190,095)
Tax calculated at the PRC statutory income tax rate of 25%	(11,848)	(10,673)	(47,524)
Effect of different tax rates of companies operating in other jurisdictions and preferential income tax rates of certain subsidiaries	–	607	35,675
Additional deduction for qualified research and development costs	–	–	(1,082)
Tax effect of non-deductible expenses	12,304	13,238	24,336
Tax effect of unused tax losses and deductible temporary differences not recognised	21,882	1,569	6,117
Tax effect of utilisation of tax losses not recognised in previous years	–	(4,961)	(3,542)
Recognisation of temporary differences for which deferred tax assets were not recognised in previous years	–	(2,790)	(773)
Actual tax expense/(credit)	22,338	(3,010)	13,207

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The provision for Hong Kong Profits Tax is subject to Hong Kong's two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million. The Group's subsidiaries in Hong Kong did not have any assessable profits for all the periods presented.

(iii) Taxable income for the Group's subsidiaries in the PRC are subject to PRC income tax rate of 25% for the Relevant Periods, unless otherwise specified below.

Pindao Supply Chain, Pindao Technology, Pindao R&D and Pindao Chain fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprise in the PRC, and were entitled to a preferential income tax rate of 5% and 10% on taxable income for the first RMB1,000,000 and the subsequent RMB1,000,000 to RMB3,000,000 respectively, for the year ended 31 December 2020.

(iv) The subsidiaries in the United States of America and Japan of the Group did not have any assessable profits for the Relevant Periods.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments as recorded in the Historical Financial Information are set out below:

	Year ended 31 December 2018				
	Directors' fees	**Salaries, allowances and other benefits**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Mr. Zhao Lin	–	117	450	8	575
Executive directors					
Ms. Peng Xin	–	117	450	9	576
Mr. Deng Bin	–	498	345	7	850
	–	732	1,245	24	2,001

	Year ended 31 December 2019				
	Directors' fees	**Salaries, allowances and other benefits**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman					
Mr. Zhao Lin	–	264	258	13	535
Executive directors					
Ms. Peng Xin	–	264	258	14	536
Mr. Deng Bin	–	460	293	13	766
	–	988	809	40	1,837

	Year ended 31 December 2020					
	Directors' fees	**Salaries, allowances and other benefits**	**Discretionary bonuses**	**Retirement scheme contributions**	**Share-based payments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman						
Mr. Zhao Lin	–	234	374	10	15,716	16,334
Executive directors						
Ms. Peng Xin	–	249	374	11	15,716	16,350
Mr. Deng Bin	–	322	347	10	388	1,067
Non-executive directors						
Mr. Pan Pan	–	–	–	–	–	–
Mr. Shao Gang	–	–	–	–	–	–
Mr. Wong Tak-wai	–	–	–	–	–	–
	–	805	1,095	31	31,820	33,751

Notes:

(a) Mr. Zhao Lin was appointed as executive directors of the Company on 9 June 2020. He is the co-founders, key management personnel of the Group and director of certain subsidiaries within the Group during the Relevant Periods and his remuneration disclosed above include those for services rendered by him as key management personnel.

(b) Ms. Peng Xin was appointed as executive directors of the Company on 5 September 2019. She is the co-founders, key management personnel of the Group and director of certain subsidiaries within the Group during the Relevant Periods and her remuneration disclosed above include those for services rendered by her as key management personnel.

(c) Mr. Deng Bin was appointed as executive directors of the Company on 9 June 2020. He joined Shenzhen Pindao Management in August 2016 as the Chief Operating Officer. The remuneration disclosed above include those for services rendered by him as the Chief Operating Officer of Shenzhen Pindao Management before his appointment as the executive director of the Company.

(d) Mr. Shao Gang, Mr. Pan Pan and Mr. Wong Tak-wai were appointed as non-executive directors of the Company on 9 June 2020, 26 October 2020 and 31 December 2020, respectively. During the Relevant Periods, no remuneration had been rendered to them.

(e) During the Relevant Periods, there were no amounts paid or payable by the Group to the directors or any of the highest paid individuals set out in note 9 below as an inducement to join or upon joining the Group or as a compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the years ended 31 December 2018, 2019 and 2020, of the five individuals with the highest emoluments, three, one and two are directors whose emoluments are disclosed in note 8.

The aggregate of the emoluments in respect of the other two, four and three individuals are as follows:

	For the years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,136	2,272	2,025
Discretionary bonuses	334	418	1,417
Share-based payments	–	–	4,756
Retirement scheme contributions	24	61	4
	1,494	2,751	8,202

The emoluments of the two, four and three individuals with the highest emoluments are within the following bands:

	For the years ended 31 December		
	2018	**2019**	**2020**
	Number of individuals	*Number of individuals*	*Number of individuals*
HKDNil – HKD1,000,000	2	4	–
HKD1,500,001 – HKD2,000,000	–	–	2
HKD5,500,001 – HKD6,000,000	–	–	1

10 LOSS PER SHARE

Loss per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results for the years ended 31 December 2018, 2019 and 2020 on the basis of preparation and presentation as disclosed in note 1.

11 PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Reconciliation of carrying amount

	Property – Rights-of-use assets	Leasehold improvements	Kitchen equipment	Furniture equipment	Electronic equipment and others	Construction in progress	Subtotal of Property and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:								
At 1 January 2018	252,951	64,534	14,124	5,217	9,872	–	93,747	346,698
Additions								
– Purchase	647,978	–	52,629	13,861	17,136	136,903	220,529	868,507
– Transfer from construction in progress	–	130,773	–	–	–	(130,773)	–	–
Disposals	(15,827)	(5,953)	(1,858)	(18)	(178)	–	(8,007)	(23,834)
At 31 December 2018	885,102	189,354	64,895	19,060	26,830	6,130	306,269	1,191,371
At 1 January 2019	885,102	189,354	64,895	19,060	26,830	6,130	306,269	1,191,371
Additions								
– Purchase	733,158	–	66,589	16,140	27,449	190,806	300,984	1,034,142
– Transfer from construction in progress	–	182,083	–	–	–	(182,083)	–	–
Disposals	(76,378)	(10,429)	(89)	(34)	(1,205)	–	(11,757)	(88,135)
Exchange adjustments	188	89	–	–	–	–	89	277
At 31 December 2019	1,542,070	361,097	131,395	35,166	53,074	14,853	595,585	2,137,655
At 1 January 2020	1,542,070	361,097	131,395	35,166	53,074	14,853	595,585	2,137,655
Additions								
– Purchase	436,162	–	67,002	17,924	30,957	184,412	300,295	736,457
– Transfer from construction in progress	–	190,695	–	–	–	(190,695)	–	–
Disposals	(89,340)	(22,747)	(989)	(1,464)	(2,204)	–	(27,404)	(116,744)
Exchange adjustments	(543)	(282)	(39)	(8)	(9)	–	(338)	(881)
At 31 December 2020	1,888,349	528,763	197,369	51,618	81,818	8,570	868,138	2,756,487

	Property – Rights-of-use assets RMB'000	Leasehold improvements RMB'000	Kitchen equipment RMB'000	Furniture equipment RMB'000	Electronic equipment and others RMB'000	Construction in progress RMB'000	Subtotal of Property and equipment RMB'000	Total RMB'000
Accumulated depreciation:								
At 1 January 2018	39,692	6,721	2,342	589	2,044	–	11,696	51,388
Charge for the year	120,353	27,800	5,867	1,881	4,299	–	39,847	160,200
Written back on disposals	(4,025)	(1,658)	(139)	(12)	(76)	–	(1,885)	(5,910)
At 31 December 2018	156,020	32,863	8,070	2,458	6,267	–	49,658	205,678
At 1 January 2019	156,020	32,863	8,070	2,458	6,267	–	49,658	205,678
Charge for the year	261,417	62,769	15,888	4,841	8,968	–	92,466	353,883
Written back on disposals	(49,905)	(5,023)	(45)	(29)	(70)	–	(5,167)	(55,072)
Exchange adjustments	26	(89)	–	–	–	–	(89)	(63)
At 31 December 2019	367,558	90,520	23,913	7,270	15,165	–	136,868	504,426
At 1 January 2020	367,558	90,520	23,913	7,270	15,165	–	136,868	504,426
Charge for the year	352,912	102,000	29,083	7,798	15,097	–	153,978	506,890
Written back on disposals	(73,175)	(9,075)	(342)	(691)	(607)	–	(10,715)	(83,890)
Exchange adjustments	(168)	(44)	(4)	(1)	(1)	–	(50)	(218)
At 31 December 2020	647,127	183,401	52,650	14,376	29,654	–	280,081	927,208

	Property – Rights-of-use assets	Leasehold improvements	Kitchen equipment	Furniture equipment	Electronic equipment and others	Construction in progress	Subtotal of Property and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Impairment:								
At 1 January 2018	–	–	–	–	–	–	–	–
Addition	2,264	2,590	–	–	–	–	2,590	4,854
Written back on disposals	–	–	–	–	–	–	–	–
At 31 December 2018	2,264	2,590	–	–	–	–	2,590	4,854
At 1 January 2019	2,264	2,590	–	–	–	–	2,590	4,854
Addition	4,098	8,109	–	–	–	–	8,109	12,207
Written back on disposals	(2,264)	(2,590)	–	–	–	–	(2,590)	(4,854)
At 31 December 2019	4,098	8,109	–	–	–	–	8,109	12,207
At 1 January 2020	4,098	8,109	–	–	–	–	8,109	12,207
Addition	1,155	2,045	–	–	–	–	2,045	3,200
Written back on disposals	(4,097)	(9,213)	–	–	–	–	(9,213)	(13,310)
At 31 December 2020	1,156	941	–	–	–	–	941	2,097
Net book value:								
At 31 December 2020	1,240,066	344,421	144,719	37,242	52,164	8,570	587,116	1,827,182
At 31 December 2019	1,170,414	262,468	107,482	27,896	37,909	14,853	450,608	1,621,022
At 31 December 2018	726,818	153,901	56,825	16,602	20,563	6,130	254,021	980,839

Impairment loss

The recoverable amount of each teahouse (cash-generating unit ("CGU")) with indication of impairment is estimated at the end of each reporting period. As at the end of each reporting period, in view of the unfavourable future prospects of certain teahouses, there was indication that the CGUs may suffer an impairment loss. The management of the Group has conducted impairment testing. The recoverable amount of each CGU is determined based on value-in-use calculations by preparing cash flow projections of the relevant CGU derived from the most recent financial forecast approved by the management covering the remaining lease term. The cash flows are discounted using discount rates range from 5.55% to 7.25%. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU.

As at 31 December 2018, 2019 and 2020, the carrying amount of certain CGUs exceeds their recoverable amount, therefore, an impairment loss of RMB4,854,000, RMB12,207,000, and RMB3,200,000, which was allocated to the assets including right-of-use assets and leasehold improvements within the CGU on a pro rata basis, was recognised in profit or loss in the "Other expenses" in the combined statements of profit or loss for the years ended 31 December 2018, 2019 and 2020 respectively.

(b) Right-of-use assets

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	For the years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets by class of underlying asset:			
Property – Right-of-use assets	120,353	261,417	352,912
Interest on lease liabilities *(note 6(a))*	31,576	67,195	83,234
Expense relating to short-term leases	19,243	28,504	29,006
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	42	103	238
Variable lease payments not included in the measurement of lease liabilities	32,301	49,854	39,210
COVID-19-related rent concessions received	–	–	(46,592)

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 17(d) and 24, respectively.

Notes:

(i) Property – Right-of-use assets

The Group has obtained the right to use assets as its teahouses and offices through tenancy agreements. The leases typically run for an initial period of 3 to 5 years.

(ii) Rental deposits

The refundable rental deposit itself is not part of the lease payments and is in the scope of IFRS 9. Therefore, the rental deposit should be measured at fair value on initial recognition. The difference between the initial fair value and the nominal value of the deposit is an additional lease payment made by the Group and it is included in the measurement of the right-of-use assets.

12 INTANGIBLE ASSETS

	Software *RMB'000*
Cost:	
At 1 January 2018, 31 December 2018 and 1 January 2019	–
Purchases	1,164
At 31 December 2019	1,164
At 1 January 2020	1,164
Purchases	94
At 31 December 2020	1,258
Accumulated amortisation:	
At 1 January 2018, 31 December 2018 and 1 January 2019	–
Charge for the year	68
At 31 December 2019	68
At 1 January 2020	68
Charge for the year	139
At 31 December 2020	207
Net book value:	
At 31 December 2020	1,051
At 31 December 2019	1,096
At 31 December 2018	–

13 INVESTMENT IN SUBSIDIARIES

The Company

	As at 31 December	
	2019 *RMB'000*	**2020** *RMB'000*
Deemed investment costs *(note (i))*	–	22,961
Deemed investments arising from share-based payment expenses *(note (ii))*	–	13,629
	–	36,590

Notes:

(i) Deemed investment costs represent the initial fair value of the warrants issued by the Company in connection with the onshore loans provided to a subsidiary of the Group, Shenzhen Pindao Management (note 22).

(ii) The amount represents share-based payment expenses arising from the grant of share options and Restricted Share Units ("RSUs") of the Company to employees of the subsidiaries (note 27) in exchange for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries.

14 INVESTMENT IN AN ASSOCIATE

Details of the Group's interest in the associate, which is accounted for using the equity method in the Historical Financial Information, are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Principal activity
BTG-Pindao Venture Pte. Ltd.	Incorporated	Singapore	SGD3,000,000	10%	–	Operating beverage outlets

In May 2018, the Group entered into an investment arrangement with Together Inc Pte. Ltd., a third party investor, to establish a company named, BTG-Pindao Venture Pte. Ltd. ("the investee") in Singapore for the purpose of operating beverage outlets in promoting the Group's brand in Singapore. Based on the investment agreement, the Group agreed to invest Singapore Dollars ("SGD") 300,000 (equivalent to RMB1,502,000) for 10% of the equity interest in the investee. Further to the investment agreement, the Group has the right to appoint one-third of the board members, allowing the Group to exercise significant influence over the investee's operational and financial directions.

As at 31 December 2018, the Group had injected SGD 45,000 to the investee and accounted for the investments under equity accounting method. Further losses incurred by the investee are recognized by the Group to the extent of the Group's obligation for the remaining capital investment of SGD 255,000. Equity in loss of an equity method investee of SGD 300,000 (equivalent to RMB1,502,000) was recognised for the year ended 31 December 2018.

The Group considers that it has significant influence over the investee even though it owns 10% of equity interest in it. Pursuant to the collaboration agreement between the Group and Together Inc Pte. Ltd., the Group has the right to appoint one out of three director representatives on the board of directors of the investee to participate in the decision-making process.

On 10 July 2020, the Group and Together Inc Pte. Ltd. mutually agreed to terminate the investee due to poor performance which resulted in continuous losses incurred by the investee.

There is no individually material interests in an associate during the Relevant Periods.

15 INVENTORIES

(a) Inventories in the combined statements of financial position comprise:

	As at 31 December 2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	27,870	58,119	74,224
Packaging supplies	9,804	19,634	28,837
	37,674	77,753	103,061

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	For the years ended 31 December 2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	383,950	915,653	1,159,322
Write-down of inventories	348	657	602
	384,298	916,310	1,159,924

16 TRADE AND OTHER RECEIVABLES

Group

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current			
Trade receivables	1,761	901	816
Input valued-added tax recoverable	22,427	70,525	99,612
Income tax recoverable	45	1,419	606
Prepayments	34,082	53,407	66,832
Amounts due from related parties	–	619	306
Receivable from Series C Preferred Shares holder *(note (i))*	–	–	521,992
Other receivables	2,931	9,176	34,840
	61,246	136,047	725,004
Non-current			
Prepayments for purchase of property and equipment	15,526	4,021	1,667

Company

	As at 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
Amount due from a subsidiary *(note (ii))*	–	12,876
Receivable from series C preferred shares holder *(note (i))*	–	521,992
Other receivables	–	11,420
	–	546,288

Notes:

(i) On December 15, 2020, pursuant to a share purchase agreement entered into between the Company and PAGAC Nebula Holdings Limited ("PAGAC Nebula"), PAGAC Nebula agreed to subscribe for 72,497,876 Series C Preferred Shares of the Company at a price of USD1.1035 per share, for a total purchase consideration of USD80 million. The subscription was completed on 31 December 2020 and the total consideration are receivable from PAGAC Nebula due to time lags in the banking transaction processing as at 31 December 2020. The total consideration had been received in January 2021.

(ii) Amounts due from a subsidiary are unsecured, non-interest bearing and recoverable on demand.

All of the current portion of trade and other receivables are expected to be recovered or recognised as expense within one year.

Aging analysis

As at the end of each of the reporting period, the aging analysis of trade receivables based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 month	817	573	616
1 to 3 months	547	247	32
3 to 6 months	397	81	122
More than 1 year	–	–	46
	1,761	901	816

Trade receivables are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors are set out in note 29(a).

17 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	185,788	81,296	501,853
Less: restricted bank deposits	–	–	(100)
Cash and cash equivalents	185,788	81,296	501,753

As at 31 December 2020, restricted bank deposits of RMB100,000 was pledged as securities for a performance guarantee amounting to RMB100,000 and will be released upon completion of the contract.

(b) Reconciliation of loss before taxation to cash generated from operations:

		For the years ended 31 December		
	Note	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Loss before taxation		(47,391)	(42,690)	(190,095)
Adjustments for:				
Depreciation	*6(c)*	160,200	353,883	506,890
Amortisation of intangible assets	*6(c)*	–	68	139
Impairment loss on property and equipment and right-of-use assets	*6(c)*	4,854	12,207	3,200
Impairment loss on investments in an associate	*6(c)*	1,502	–	–
Write-down of inventories	*6(c)*	348	657	602
Finance costs	*6(a)*	46,160	96,185	130,258
Interest income on rental deposits	*5*	(1,993)	(4,357)	(5,952)
Loss on disposal of property and equipment and right-of-use assets	*6(d)*	837	832	1,209
Net loss on disposal of a subsidiary		1,301	–	–
Equity-settled share-based payment expenses	*6(b)*	–	–	45,458
Fair value changes of financial liabilities at FVTPL	*22*	–	–	132,757
COVID-19-related rent concessions received	*11(b)*	–	–	(46,592)
Changes in working capital:				
Increase in inventories		(10,537)	(40,736)	(25,910)
Increase in trade and other receivables and rental deposits		(93,431)	(124,712)	(81,210)
Increase in trade and other payables		135,091	164,307	64,103
Increase in contract liabilities		11,397	29,998	33,651
Increase in restricted bank deposit		–	–	(100)
Cash generated from operations		208,338	445,642	568,408

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's combined statements of cash flows as cash flows from financing activities.

	Bank loans	**Amounts due to related parties**	**Redeemable capital contributions**	**Lease liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 20)	*(note 31(d))*	*(note 21)*	*(note 24)*	
At 1 January 2018	–	29,508	96,966	221,177	347,651
Changes from financing cash flows:					
Proceeds from bank loans	48,000	–	–	–	48,000
Repayment of bank loans	(46,500)	–	–	–	(46,500)
Payment of capital element and interest element of lease liabilities	–	–	–	(108,243)	(108,243)
Interest of bank loans paid	(1,121)	–	–	–	(1,121)
Proceeds from issuance of redeemable capital contributions	–	–	300,000	–	300,000
Advances from related parties	–	25,550	–	–	25,550
Repayments of advances from related parties	–	(37,547)	–	–	(37,547)
Total changes from financing cash flows	379	(11,997)	300,000	(108,243)	180,139
Other changes:					
Interest expenses *(note 6(a))*	1,121	–	13,149	31,576	45,846
Addition	–	–	–	631,109	631,109
Disposal	–	–	–	(12,563)	(12,563)
Total other changes	1,121	–	13,149	650,122	664,392
At 31 December 2018	1,500	17,511	410,115	763,056	1,192,182

	Bank loans	Amounts due to related parties	Redeemable capital contributions	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 20)	*(note 31(d))*	*(note 21)*	*(note 24)*	
At 1 January 2019	1,500	17,511	410,115	763,056	1,192,182
Changes from financing cash flows:					
Proceeds from bank loans	62,000	–	–	–	62,000
Repayment of bank loans	(9,000)	–	–	–	(9,000)
Payment of capital element and interest element of lease liabilities	–	–	–	(266,505)	(266,505)
Interest of bank loans paid	(440)	–	–	–	(440)
Proceeds from issuance of redeemable capital contributions	–	–	–	–	–
Advances from related parties	–	13,469	–	–	13,469
Repayments of advances from related parties	–	(28,440)	–	–	(28,440)
Total changes from financing cash flows	52,560	(14,971)	–	(266,505)	(228,916)
Other changes:					
Interest expenses *(note 6(a))*	440	–	27,945	67,195	95,580
Addition	–	–	–	716,659	716,659
Disposal	–	–	–	(26,790)	(26,790)
Total other changes	440	–	27,945	757,064	785,449
At 31 December 2019	54,500	2,540	438,060	1,253,615	1,748,715

	Bank loans *RMB'000* *(note 20)*	Interest-bearing borrowings *RMB'000* *(note 20)*	Amounts due to related parties *RMB'000* *(note 31(d))*	Redeemable capital contributions *RMB'000* *(note 21)*	Lease liabilities *RMB'000* *(note 24)*	Financial Liabilities at FVTPL *RMB'000* *(note 22)*	Convertible redeemable preferred shares *RMB'000* *(note 23)*	Listing expense payable (included in trade and other payables) *RMB'000* *(note 19)*	Total *RMB'000*
At 1 January 2020	54,500	–	2,540	438,060	1,253,615	–	–	–	1,748,715
Changes from financing cash flows:									
Proceeds from bank loans and interest-bearing borrowing	374,500	474	–	–	–	–	–	–	374,974
Repayment of bank loans	(152,620)	–	–	–	–	–	–	–	(152,620)
Repayment of redeemable capital contributions arising from re-organisation	–	–	–	(11,000)	–	–	–	–	(11,000)
Proceeds from issuance of warrants, onshore loans and convertible note	–	–	–	–	–	234,466	–	–	234,466
Payment of capital element and interest element of lease liabilities	–	–	–	–	(342,908)	–	–	–	(342,908)
Interest of bank loans paid	(8,924)	–	–	–	–	–	–	–	(8,924)
Proceeds from policy-based discount interest	1,000	–	–	–	–	–	–	–	1,000
Proceeds from issuance of redeemable capital contributions	–	–	–	–	–	–	–	–	–
Listing expenses paid	–	–	–	–	–	–	–	(684)	(684)
Advances from related parties	–	–	6,485	–	–	–	–	–	6,485
Repayments of advances from related parties	–	–	(8,866)	–	–	–	–	–	(8,866)
Total changes from financing cash flows	213,956	474	(2,381)	(11,000)	(342,908)	234,466	–	(684)	91,923
Exchange adjustments	–	(36)	–	–	(1,710)	(5,342)	–	–	(7,088)
Changes in fair value	–	–	–	–	–	132,757	–	–	132,757
Other changes:									
Interest expenses (note 6(a))	7,924	–	–	38,249	83,234	–	–	–	129,407
Bank borrowings from trade financing	6,740	–	–	–	–	–	–	–	6,740
COVID-19-related rent concessions received	–	–	–	–	(46,592)	–	–	–	(46,592)
Receivable from issuance of preferred shares	–	–	–	–	–	–	521,992	–	521,992
Re-designation of preferred shares to ordinary shares	–	–	–	–	–	–	130,498	–	130,498
Addition	–	–	–	–	432,442	–	–	2,005	434,447
Disposal	–	–	–	–	(21,355)	–	–	–	(21,355)
Total other changes	14,664	–	–	38,249	447,729	–	652,490	2,005	1,155,137
At 31 December 2020	283,120	438	159	465,309	1,356,726	361,881	652,490	1,321	3,121,444

(d) Total cash outflow for leases

Amounts included in the combined statements of cash flows for leases comprise the following:

	For the years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	86,132	143,148	92,285
Within financing cash flows	108,243	266,505	342,908
	194,375	409,653	435,193

18 TRADE AND OTHER PAYABLES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	103,870	201,675	226,146
Other payables and accrued charges	107,778	167,126	257,711
Amounts due to related parties	29,801	21,679	16,819
	241,449	390,480	500,676

As at the end of each of the reporting period, the aging analysis of trade payables based on the invoice date, is as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	102,056	200,038	225,067
More than 1 year	1,814	1,637	1,079
	103,870	201,675	226,146

19 CONTRACT LIABILITIES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Contract liabilities related to prepaid cards	12,949	40,469	67,070
Contract liabilities related to discount vouchers and free vouchers	194	516	670
Contract liabilities related to customer membership programs	1,759	3,915	2,619
Contract liabilities related to rental service contract *(note (i))*	–	–	8,192
	14,902	44,900	78,551

Note (i): The contract liability related to rental service contract represents the Company's remaining contractual obligations under the agreements it entered into with a mobile device charging service provider to allow the service provider to install its power bank cabinets in the Company's teahouses for its customers' use.

Movements in contract liabilities

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of the year	3,302	14,902	44,900
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(2,062)	(14,902)	(37,245)
Increase in contract liabilities	13,662	44,900	70,896
Balance at the end of the year	14,902	44,900	78,551

20 INTEREST-BEARING BORROWINGS

As at the end of each reporting period, the bank loans were repayable as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Bank loans within one year or on demand			
– unsecured and guaranteed	1,000	54,500	283,120
– secured and guaranteed	500	–	–
	1,500	54,500	283,120
Non-current liability			
Interest-bearing borrowing			
– Paycheck Protection Program ("PPP") loan *(note (e))*	–	–	438

(a) As at 31 December 2018, 2019 and 2020, banking facilities of the Group totaling RMB135,000,000, RMB150,000,000, and RMB440,000,000 were utilised to the extent of RMB1,500,000, RMB54,500,000, and RMB283,120,000, respectively.

(b) The secured bank loan as at 31 December 2018 was secured by a property owned by a related party and had been fully repaid in 2019.

(c) All bank loans and banking facilities as at 31 December 2018, 2019 and 2020 were guaranteed or jointly guaranteed by Mr. Zhao Lin, Ms. Peng Xin and Shenzhen Xinlin Cultural Communication Co., Ltd., which will be released or replaced by corporate guarantee or collateral security provided by the Group before listing.

(d) Bank loans amounted to RMB1,500,000, RMB54,500,000 and RMB283,120,000 as at 31 December 2018, 2019 and 2020 are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2018, 2019 and 2020, none of the covenants relating to drawn down loans or facilities had been breached.

(e) During the Relevant Periods, Citibank, N.A. approved a PPP loan to Pindao New Jersey Ltd. in the United States ("US"), under the Paycheck Protection Program pursuant to the Coronavirus Aid, Relief and Economic Security (CARES) Act. The PPP loan has a term of two years, is unsecured, and is guaranteed by the US Small Business Administration. The PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest and principal deferred. Some or all of the loan may be forgiven if certain relevant conditions are met. However, no assurance can be provided that forgiveness of any portion of the PPP loan will be obtained.

21 REDEEMABLE CAPITAL CONTRIBUTIONS

The analysis of the carrying amount of redeemable capital contributions is as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Redeemable capital contributions	410,115	438,060	465,309

In 2017, Shenzhen Pindao Management entered into a capital contribution agreement with certain investors, pursuant to which, these investors agreed to invest RMB70,000,000 to acquire 10% of the then equity interest of Shenzhen Pindao Management. In the same year, Shenzhen Pindao Management further entered into a capital contribution agreement with certain investors, pursuant to which the investors agreed to invest RMB22,000,000 to acquire 2.2% of the then equity interest of Shenzhen Pindao Management (collectively referred as "Round A Investments").

From May to November 2018, Shenzhen Pindao Management entered into three capital contribution agreements with certain investors, pursuant to which these investors agreed to contribute RMB60,000,000, RMB90,000,000 and RMB150,000,000 (collectively referred as "Round B-1 Investments") to acquire 1%, 1.5% and 2.5% of the then equity interest of Shenzhen Pindao Management respectively.

The holders of the Round A and Round B-1 investment shares are entitled to the same voting rights and dividend rights as other equity holders of Shenzhen Pindao Management. A summary of the special rights attributable to the Round A and Round B-1 investments:

Redemption rights

Shenzhen Pindao Management shall buy back all, or portion of the Round A investments and Round B-1 investments held by the holders at the option of the holders at any time upon certain events as follows:

(a) failure of the Group to complete the Qualified IPO on or before 30 December 2023;

(b) changes to the Group's beneficial controlling owners or other events which may result in the failure the Group to complete the Qualified IPO within the stipulated time frame;

(c) any breach of contractual terms or misconducts by the management of the Group which may result in adverse financial effect (as defined in the capital contribution agreements as actual outlay losses of more than RMB1 million) to the holders and subsequently not financially compensated;

(d) failure of the Group to register for commercial trademarks for certain brand of products of the Group to secure the branding of the business before 31 December 2018.

The redemption price of the Round A investments and Round B-1 investments shall equal to the aggregate of:

(a) the total actual consideration paid by the investors;

(b) an annual rate of return of 8% beginning from the date of actual payments of the consideration from the investors to the redemption date, excluding any actual paid dividends during the equity holding period.

At the date of issuance, both Round A and Round B-1 Investments are initially recognised at fair value and are carried at amortised cost for subsequent periods. Interest on both Round A and Round B-1 investments is calculated using the effective interest method and recognised in the combined statements of profit or loss.

In December 2020, Shenzhen Pindao Management had repaid a principal amount of RMB11 million to one of the investors of Round A Investments as part of the Reorganisation. Pursuant to the share subscription agreement, the repayment will be utilized by the investor to subscribe for certain number of Series A+ Preferred Shares of the Company.

22 FINANCIAL LIABILITIES AT FVTPL

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Warrants	–	–	114,254
Onshore loans	–	–	197,126
Convertible note	–	–	50,501
	–	–	361,881

During the year ended 31 December 2020, the Group completed B-2 round financing by issuing warrants together with onshore loans to SCGC Capital Holding Company Limited and its affiliates (collectively known as "SCGC") and a convertible note to Court Card HK Limited ("CCHK").

Upon the successful completion of certain events, the warrants can be exercised upon which the onshore loans will be repaid and Series B-2 Preferred Shares of the Company will be issued and the convertible note is convertible into Series B-2 Preferred Shares of the Company.

The details and key terms of the warrants, onshore loans and the convertible note are summarized as follows:

(i) Warrants and onshore loans

During the year ended 31 December 2020, SCGC had entered into an onshore loan agreement with a subsidiary of the Group, Shenzhen Pindao Management, to provide RMB denominated loans amounted to RMB200 million. In connection with the onshore loan agreements, SCGC and its affiliates had entered into warrant purchase agreements with the Company to subscribe for and purchase from the Company the warrants convertible into Series B-2 Preferred Shares of the Company ("the Warrants"). The Group designated and accounted for the onshore loans as financial liabilities at FVTPL and the Warrants are accounted for as derivative liabilities measured at FVTPL (see note 2(q)).

The key terms of the warrants and onshore loans are as follows:

Warrants

The Warrants can be exercised by the holders upon the completion of the Overseas Direct Investments registration ("ODI registration") within 9 months from the issue date of the Warrants. Upon an exercise of the Warrants, The Company will issue Series B-2 Preferred Shares to the warrant holders. The Series B-2 Preferred Shares are automatically converted into ordinary shares of the Company prior to the closing of the qualified Initial Public Offering ("the qualified IPO").

Number of Series B-2 Preferred Shares to be issued upon exercise of the Warrants

The number of Series B-2 Preferred Shares to be issued upon exercise of the Warrants shall be determined by the amount repaid by Shenzhen Pindao Management under the onshore loan agreement ("Repayment amount") as converted by the exchange rate and the initial exercise price of United States Dollars ("USD") 0.6366 per Series B-2 Preferred Shares.

Exercise period

Earlier of within five business days from the repayment date from Shenzhen Pindao Management under the onshore loans agreement ("Repayment date").

Exercise payment

The equivalent amount in USD of the Repayment amount as converted based on the selling rate of USD of the China Merchants Bank on the relevant exercise date.

Expiration

The Warrants shall expire on the fifteenth business day after nine months of the dates of the Warrants.

Repayment of the onshore loans

Shenzhen Pindao Management is required to repay SCGC to exercise the Warrants upon the completion of the ODI registration within the stipulated timeframe.

In the case where the ODI registration had not completed within the stipulated timeframe, Shenzhen Pindao Management is also required to repay SCGC for the onshore loan amounts provided for the portion of the Warrant that had not been exercised due to the failure to complete the ODI registration. The repayment period could be extended to first (1st), third (3rd) or fifth (5th) anniversary from the date of the Warrants, depending on the agreed causes for such failure. The repayments are interest-free in any of the above circumstances.

Upon the occurrence of any accelerated events as defined by the Warrants agreement, the repayment of the onshore loans shall be based on the redemption price of the Series B-2 Preferred Shares on an as-converted and as-exercised basis.

(ii) Convertible note

During the year ended 31 December 2020, the Company and CCHK had entered into an agreement pursuant to which the Company issued a convertible note to the CCHK for consideration of RMB34,466,000 (face value of USD5 million). The convertible note shall be due and payable on the earlier of (a) 1st anniversary of the note issue date ("the Maturity Date") or (ii) the due and payable date triggered by an event of default. The convertible note bears interest at LIBOR interest rate per annum payable on the Maturity Date.

The right of the noteholder to convert the note into Series B-2 class Preferred Shares is as follows:

Conversion right

In the case of the Group restructuring whereby Shenzhen Pindao Management becomes a wholly-owned subsidiary of the Company is completed within 9 months from the convertible note issue date (or within a longer year ending no later than the Maturity Date as mutually agreed by the Company and CCHK), the outstanding principal amount of the convertible note is automatically converted into Series B-2 Preferred Shares of the Company, in which event the convertible note is deemed interest-free during the year between the convertible note issue date and the date of conversion.

In respect of which conversion rights have not been exercised, the convertible note will be redeemed at face value plus LIBOR interest rate on the due and payable Date.

The movements of the warrants, onshore loans and convertible note are set out as below:

	Warrants, onshore loans and convertible note
	RMB'000
As at 1 January 2020	–
Issuance of the warrants	22,686
Issuance of the onshore loans	177,314
Issuance of the convertible note	34,466
Fair value changes	132,757
Exchange reserve	(5,342)
As at 31 December 2020	361,881

The Group applied the market approach to determine the underlying equity value of the Group and adopted option-pricing method and equity allocation model to determine the fair value of the warrants, onshore loans and convertible note. Key assumptions are set as below:

	Warrants, onshore loans and convertible note
Discount rate	6.56%
Risk-free interest rate	0.18%
Volatility	32.78%

The fair value of the warrants, onshore loans and convertible note ("Subject") was determined with the assistance of an independent third-party valuation firm, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The fair value of the Subject was principally developed through the application of the option pricing method ("OPM"). The OPM treats ordinary share and the Subject as call options on the entity's equity value, with exercise prices based on the liquidation and redemption preferences of the Subject. This method considers the various terms of the investor agreements of the Subject that would affect the distributions to the Subject upon a liquidation event, including the level of seniority among the securities, conversion ratios, and cash allocations. The OPM frequently relies on the Black-Scholes option pricing model to price the call option.

23 CONVERTIBLE REDEEMABLE PREFERRED SHARES

During the Relevant Periods, the Company issued 90,622,345 Series C Preferred Shares, including 18,124,469 shares re-designated from existing issued ordinary shares (the "Transferred Shares"), at a price of USD1.1035 per share. Pursuant to the Series C Preferred Shares Purchase Agreement and the Secondary Series C Preferred Shares Purchase Agreement, respectively (collectively as the "Agreement"), the total consideration by the investor is USD100 million in which USD80 million is for the 72,497,876 newly issued Series C Preferred Shares and the remaining USD20 million for the Transferred Shares.

Pursuant to the Agreement entered among the Company, the investor and the ordinary shareholders, the ordinary shareholders in respect of the Transferred Shares transferred 18,124,469 Series C Preferred Shares to the investor, at a price of USD1.1035 per share for a total consideration of USD20 million.

The re-designation of ordinary shares held by certain employees to Series C preferred shares was accounted for as deemed repurchase of ordinary shares and deemed issuance of Series C Preferred Shares. The deemed repurchase of ordinary shares is measured at fair value of ordinary shares and debited to share capital and capital reserves accordingly, and the deemed issuance of Series C preferred shares is measured at fair value of the preferred shares issued. The difference between fair value of ordinary shares and Preferred Shares is recognised as share-based compensation expenses according to IFRS 2 since the holders of ordinary shares deemed to be repurchased are directors of the Group.

The key terms of the Series C Preferred Shares are summarised as follows:

Dividend rights

The holders of Preferred Shares shall be entitled to receive dividends, out of any funds legally available therefor, prior and in preference to any declaration or payment of any dividend on the ordinary shares. No dividend, whether in cash, in property or in shares of the capital of the Company, shall be paid on or declared and set aside for any ordinary shares or any other class or series of shares of the Company unless and until all dividends have been paid in full on the Preferred Shares (on an as-converted basis).

Conversion feature

The Series C Preferred Shares shall be automatically converted into fully-paid, non-assessable ordinary shares, based on the then-effective applicable conversion price for such shares immediately prior to the closing of an IPO.

Also, at the option of the holders, the Series C Preferred Shares can be converted into fully-paid, non-assessable ordinary shares on the date specified on the written request with respect to such conversion.

Redemption feature

Upon the written request of each holder of the Series C Preferred Shares, the Company shall redeem all or any portion of the Series C Preferred Shares. Upon the earlier to occur of (i) the Company has not completed an IPO within 36 months of the Issue Date, or (ii) any material breach of any transaction agreement by any group company or any founder party, any holder of Series C Preferred Shares may at any time require the Company to redeem any or all of the then outstanding Series C Preferred Shares held by such holders at the redemption price which represent the issue price, plus all declared dividends and an interest at an annual compounded rate of 8% calculating from the Issue Date to the payment date.

Voting rights

Each Series C Preferred Shares has voting rights equivalents to the number of ordinary shares into which such preferred shares could be then convertible.

Liquidation preferences

Upon the occurrence of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets of the Company legally available for distribution shall be distributed among the holders of the issued and outstanding shares (on an as-converted basis) in the following order and manner:

Each holder of Preferred Shares shall be entitled to receive for each Preferred Share held, the amount equal to one hundred percent (100%) of the applicable preferred shares issue price, plus all declared dividends on such Preferred Share. If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of Series C Preferred Shares, second to Series B-2 and Series B-1 Preferred Shares, third to Series A+ Preferred Shares and fourth to Series A Preferred Shares.

The movements of the convertible redeemable preferred shares are set out as below:

	Convertible redeemable preferred shares
	RMB'000
As at 1 January 2020	–
Issuance of Series C Preferred Shares	521,992
Re-designation of ordinary shares to Series C Preferred Shares	130,498
As at 31 December 2020	652,490

The Series C Preferred Shares was recognised at fair value at its initial recognition on 31 December 2020. Hence, there is no fair value movement in relation to the Series C Preferred Shares recognised for the year ended 31 December 2020.

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of each reporting period:

	31 December 2018		31 December 2019		31 December 2020	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	167,409	212,470	291,700	363,609	364,733	437,206
After 1 year but within 2 years	170,154	204,136	294,341	347,243	357,207	407,353
After 2 years but within 5 years	390,161	430,457	630,600	687,648	604,320	652,493
After 5 years	35,332	37,591	36,974	39,338	30,466	32,020
	595,647	884,654	961,915	1,437,838	991,993	1,529,072
	763,056		1,253,615		1,356,726	
Less: total future interest expenses		(121,598)		(184,223)		(172,346)
Present value of lease liabilities		763,056		1,253,615		1,356,726

25 PROVISIONS

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Provisions for restoration costs	6,950	11,477	13,858

The movements of provisions during the year were as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of the year	2,344	6,950	11,477
Additional provisions	4,324	4,647	2,792
Interest on provisions	314	605	851
Provisions utilised	(32)	(725)	(1,262)
Balance at the end of the year	6,950	11,477	13,858

Pursuant to the terms of the respective tenancy agreements entered into by the Group, the Group is required to return its leased properties to the conditions as stipulated in the tenancy agreements at the expiration of the corresponding lease term as appropriate. The provision for reinstatement costs was estimated based on certain assumptions and estimates made by the Group's management with reference to historical reinstatement costs and/or other available market information. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the combined statements of financial position represents:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Balance at the beginning of the year	2,101	14,251	5,375
Provision for income tax for the year	19,699	20,912	9,513
Income tax paid	(7,549)	(29,788)	(2,543)
Income tax refunded	–	–	8,480
Balance at the end of the year	14,251	5,375	20,825
Reconciliation to the combined statements of financial position:			
Income tax payable	14,296	6,794	21,431
Income tax recoverable *(note 16)*	(45)	(1,419)	(606)
	14,251	5,375	20,825

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the combined statements of financial position and the movements during the year are as follows:

Deferred tax arising from:	Unused tax losses *RMB'000*	Accrued payroll and other expenses *RMB'000*	Lease expenses *RMB'000*	Impairment of inventories, property and equipment and right-of use assets *RMB'000*	Contract liabilities *RMB'000*	Property and equipment *RMB'000*	Others *RMB'000*	Total *RMB'000*
At 1 January 2018	2,437	215	3,216	–	–	–	93	5,961
(Charged)/credited to profit or loss	(2,437)	905	5,766	564	427	(8,482)	618	(2,639)
At 31 December 2018 and 1 January 2019	–	1,120	8,982	564	427	(8,482)	711	3,322
Credited/(charged) to profit or loss	17,688	–	10,792	1,800	1,244	(7,673)	71	23,922
At 31 December 2019 and 1 January 2020	17,688	1,120	19,774	2,364	1,671	(16,155)	782	27,244
(Charged)/credited to profit or loss	(1,331)	247	16,187	(1,065)	425	(19,176)	1,019	(3,694)
At 31 December 2020	16,357	1,367	35,961	1,299	2,096	(35,331)	1,801	23,550

(ii) Reconciliation to the combined statements of financial position

	As at 31 December		
	2018 *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Net deferred tax asset recognised in the combined statements of financial position	4,130	28,032	27,596
Net deferred tax liability recognised in the combined statements of financial position	(808)	(788)	(4,046)
	3,322	27,244	23,550

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The following table presents the Group's unrecognised tax losses and temporary differences at the reporting dates:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Unused tax losses	65,611	43,171	69,672
Temporary differences	17,637	17,830	16,054
	83,248	61,001	85,726

The expiration information of the Group's unused tax losses is set out below:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
2022	985	–	–
2023	64,626	36,994	27,437
2024	–	6,177	3,577
2025 and beyond	–	–	38,658
	65,611	43,171	69,672

According to the Announcement on Relevant Tax Policies Supporting the Prevention and Control of the Outbreak of COVID-19 (《關於支援新型冠狀病毒感染的肺炎疫情防控有關稅收政策的公告》) issued by the Ministry of Finance and the State Taxation Administration, the maximum carried forward period of the tax losses affected by COVID-19 in certain difficult industries, including food and beverage industries, is extended from five years to eight years.

27 EQUITY SETTLED SHARE-BASED PAYMENT

The table below sets forth share-based payments expenses for share options and RSUs during the Relevant Periods:

	For the years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Share Option Plan *(i)*	–	–	11,249
RSUs *(ii)*	–	–	2,950
Re-designation of ordinary share to preferred shares *(iii)*	–	–	31,259
	–	–	45,458

During the Relevant Periods, the Group has the following share-based payment arrangements:

(i) Share Option Plan (equity settled)

The Group granted share-based awards to qualified director and employees pursuant to the Share Option Plan, which was adopted in May 2020 and governed by the contractual terms of the awards. The qualified participants of the Share Option Plan are required to satisfy certain vesting service and non-market performance conditions for the entitlements. In accordance with the Share Option Plan agreements, the holders of vested options are entitled to purchase the Company's shares at fixed prices predetermined as at each vesting date. Prior to the completion of the listing of the Company's shares on the Stock Exchange, the Company has the option to repurchase the vested option upon the occurrence of certain events at the fixed prices predetermined. Such option to repurchase will be extinguished upon the completion of the listing process and the holders of the shares may freely exercise control over the shares.

Options granted typically expire in 10 years from the respective grant dates. The options may be exercised at any time after they have vested subject to the terms of the award agreement and are exercisable for a maximum period of 10 years after the date of grant.

The Group recognises share-based payments expenses in its combined statements of profit or loss and other comprehensive income based on awards ultimately expected to vest.

A summary of activities of the service-based share options is presented as follows:

	Number of share options	**Weighted average exercise price** *RMB*	**Weighted average remaining contractual term** *Year*
Outstanding as at 1 January 2018, 31 December 2018, 31 December 2019 and 1 January 2020	–	–	–
Granted during the year	34,950,818	0.94	
Exercised	(5,035,756)	2.17	
Outstanding as at 31 December 2020	29,915,062	0.73	9.6
Exercisable as at 31 December 2020	–	–	–

Fair value of share options

The fair value of share options was estimated using the trinomial option-pricing model. The determination of estimated fair value of share-based payment awards on the grant date is affected by the fair value of the Company's ordinary shares as well as assumptions regarding a number of complex and subjective variables. These variables include the expected volatility of the shares of the Company over the expected term of the awards, actual and projected employee share option exercise behaviors, a risk-free interest rate and expected dividends, if any.

Based on fair value of the underlying ordinary shares, the Group has used trinomial option-pricing model to determine the fair value of the share option as at the grant date. Key assumptions are set as below:

	As at grant date
Risk-free interest rates	0.34% – 0.53%
Expected term – years	10
Expected volatility	30.97% – 36.58%
Exercise multiple	2.86x – 3.34x
Fair value of ordinary shares (RMB)	1.97 – 5.78
Exercise price (RMB)	0.71 – 2.17
Dividend yield	0.00%

(ii) RSUs (equity settled)

The RSUs granted would vest in tranches from the grant date over a certain service period, on specific service condition that the employees remain in service and scheduled to be vested over one to four years without any performance condition requirements. Based on the vesting schedules of the Group's plan, the first tranche shall be vested upon the first anniversary dates of the grants, and the remaining of the awards shall be vested on straight-line basis at the anniversary years over a period of the remaining three years. Once the vesting conditions underlying the respective RSUs are met, the RSUs are considered duly and validly issued to the holder, with restrictions on transfer of such entitlements at any time during a period of six months commencing on the date on which the shares of the Company are publicly listed (the "Lock-up Period).

Movements in the number of RSUs granted and the respective weighted average grant date fair value are as follows:

	Number of RSUs	**Weighted average grant date fair value per RSU** *RMB*	**Remaining vesting periods** *Year*
Outstanding as at 1 January 2018, 31 December 2018, 31 December 2019 and 1 January 2020	–	–	–
Granted during the period	6,565,400	2.74	–
Outstanding as at 31 December 2020	6,565,400	2.74	3.6

At of 31 December 2020, a total of 31 employees of the Group have been granted with a total of 6,565,400 RSUs.

Share-based payment expense relating to awards granted to employees is based on the grant date fair value of the RSUs is recognised, on a straight-line basis over the entire vesting period. The fair value of each RSU at the grant dates are determined by reference to the fair value of the underlying ordinary shares of the Company on the date of grant. The grant date fair value of the underlying ordinary shares was determined with the assistance of an independent third-party valuation firm, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. The fair value of the ordinary shares was principally developed through the application of the option pricing method ("OPM"). The OPM treats the ordinary shares as call options on the enterprise's equity value. The OPM frequently relies on the Black-Scholes option pricing model to price the call option.

RSUs were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. No dividends have been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the RSUs.

(iii) Re-designation of ordinary shares to preferred shares

Simultaneous with the issuance of Series C preferred shares in December 2020, PAGAC Nebula Holdings Limited purchased 18,124,469 ordinary shares for an aggregate purchase price of USD20 million from Linxin Holdings Limited, the aforementioned shares were immediately re-designated as Series C preferred shares. The difference between the transaction price and fair value of the ordinary shares were recognised as share-based compensation expense in the combined statements of profit or loss.

Total expense recognised related to re-designation of ordinary shares to Series C preferred shares was RMB31,260,000 for the year ended 31 December 2020.

28 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTERESTS

(a) Share capital

(i) For the purpose of this report, the capital as at 1 January 2018, 31 December 2018, 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020 represented the aggregate amount of the paid-in capital of the companies now comprising the Group after the elimination of investments in subsidiaries.

(ii) Share capital of the Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 5 September 2019 with authorised share capital of USD250,000 divided into 5,000,000,000 shares with a par value of USD0.00005 each. At 31 December 2020, 1,000,000,000 ordinary shares and 72,497,876 Series C Preferred Shares of USD50,000 have been issued. As at 31 December 2020, pursuant to the Series C Preferred Shares purchase agreement, 18,124,469 Series C Preferred Shares are re-designated and re-classified from ordinary shares at par value of USD0.00005 each on a one-for-one basis.

(b) Movements in components of equity

Details of the changes in the Company's individual components of equity are set out below:

The Company

	Note	**Share capital** *RMB'000*	**Capital reserve** *RMB'000*	**Share-based payments reserve** *RMB'000*	**Exchange reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
Balance at 31 December 2019 and 1 January 2020		–	–	–	–	–	–
Changes in equity for the year ended 31 December 2020:							
Losses for the year		–	–	–	–	(153,883)	(153,883)
Other comprehensive income		–	–	–	4,858	–	4,858
Total comprehensive income		–	–	–	4,858	(153,883)	(149,025)
Issuance of ordinary shares		326	–	–	–	–	326
Equity settled share-based transactions	*27*	–	–	14,199	–	–	14,199
Shares issued under share option plan		2	13,567	(3,844)	–	–	9,725
Re-designation of ordinary shares to Series C Preferred Shares		(6)	(100,277)	–	–	–	(100,283)
Balance at 31 December 2020		322	(86,710)	10,355	4,858	(153,883)	(225,058)

(c) Nature and purposes of reserves

(i) Capital reserve

Acquisition of non-controlling interests

During the year ended 31 December 2019, the Group acquired an additional 5% equity interest of Xi'an Nayuki from non-controlling shareholders at consideration of RMB1 in aggregate, the differences between the consideration paid and acquired proportionate interest in identifiable net assets of Xi'an Nayuki of RMB349,000 was recognised as a deduction from capital reserve.

During the year ended 31 December 2020, the Group acquired an additional 5% equity interest of Shanghai Nayuki, Hangzhou Nayuki, Nanjing Manyida and Nanjing Nayuki from their non-controlling shareholders at consideration of nil in aggregate, the differences between the consideration paid and acquired proportionate interest in identifiable net assets of Shanghai Nayuki, Hangzhou Nayuki, Nanjing Manyida and Nanjing Nayuki of RMB4,738,000 was recognised as a deduction from capital reserve.

(ii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of share options and RSUs granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(s)(iii).

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements for operations outside of mainland China. The reserve is dealt with in accordance with the accounting policies set out in note 2(w).

(d) Dividends

No dividends have been declared or paid by the Company or Shenzhen Pindao Management during the years ended 31 December 2018, 2019 and 2020.

(e) Capital contributions from non-controlling interests

For the year ended 31 December 2018, a subsidiary of the Group received contribution from non-controlling shareholders, amounted to RMB813,000.

(f) Disposal of a subsidiary

On November 29, 2018, the Group disposed of all of its 70% equity interests in Shenzhen Er Qi Catering Management Company Limited at a consideration of RMB1 Yuan.

(g) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing borrowings and lease liabilities but excludes redeemable capital contributions, financial liabilities at FVTPL and convertible redeemable preferred shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable capital contributions, financial liabilities at FVTPL and convertible redeemable preferred shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends, if any.

The Group's adjusted net debt-to-capital ratio at 31 December 2018, 2019 and 2020 were 285.4%, 582.6% and 166.5%.

The Company and its subsidiaries are subject to externally imposed capital requirements as disclosed in note 20(d).

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents and restricted deposits is limited because the counterparties are banks, financial institutions, Alipay and WeChat Pay with high credit rating and no past due history, for which the Group considers having low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

In determining the ECL for trade debtors and other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. The management of the Group has assessed that trade debtors and other receivables have not had a significant increase in credit risk since initial recognition and risk of default is insignificant, and therefore, no loss allowance of trade debtors and other receivables is considered necessary by management for the years ended 31 December 2018, 2019 and 2020. The expected credit loss rate is insignificant and close to zero.

The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

As at 31 December 2018, 2019 and 2020, the Group's net current liabilities amounted to RMB564,963,000, RMB931,338,000 and RMB1,398,273,000, respectively. In management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. Historically, the Group has relied principally on both operational sources of cash and non-operational sources of equity and debt financing to fund its operations and business development.

The Group has carried out a review of its cash flow forecast for the twelve months period following the date of issuance of the accompanying combined financial statements. Based on such forecast, the Group management believes that adequate sources of liquidity exist to fund the Group's working capital and future capital expenditures requirements, and other liabilities and commitments as they become due. In preparing the cash flow forecast, management has considered historical cash requirements, working capital and capital expenditures plans, estimated cash flows provided by operations, existing cash on hand, as well as other key factors, including utilization of credit facilities granted by financial institutions. Management believes the assumptions used in the cash forecast are reasonable.

The following tables show the remaining contractual maturities at the end of each of the reporting period of the Group's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	For the years ended 31 December 2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	1,524	–	–	–	1,524	1,500
Trade and other payables	240,698	751	–	–	241,449	241,449
Lease liabilities	212,470	204,136	430,457	37,591	884,654	763,056
	454,692	204,887	430,457	37,591	1,127,627	1,006,005

	For the years ended 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	55,547	–	–	–	55,547	54,500
Trade and other payables	389,926	554	–	–	390,480	390,480
Lease liabilities	363,609	347,243	687,648	39,338	1,437,838	1,253,615
	809,082	347,797	687,648	39,338	1,883,865	1,698,595

	Year ended 31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans and interest-bearing borrowing	288,674	447	–	–	289,121	283,558
Trade and other payables	499,219	1,457	–	–	500,676	500,676
Lease liabilities	437,206	407,353	652,493	32,020	1,529,072	1,356,726
	1,225,099	409,257	652,493	32,020	2,318,869	2,140,960

In addition to the above, the Group was also exposed to liquidity risk arising from the redemption features of the redeemable capital contributions, the financial liabilities at fair value through profit or loss and convertible redeemable preferred shares at 31 December 2018, 2019 and 2020, which are further detailed in note 21, 22 and 23, respectively.

(c) Interest rate risk

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from short-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(ii) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of each of the reporting period.

	As at 31 December					
	2018		2019		2020	
	Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Fixed rate borrowings:						
Lease liabilities	6.65%-7.25%	763,056	5.55%-7.25%	1,253,615	5.55%-7.25%	1,356,726
Bank loans	6.56%	500	4.28%-4.35%	44,500	3.22%-5.10%	209,120
Interest-bearing borrowing	0.00%	–	0.00%	–	1.00%	438
		763,556		1,298,115		1,566,284
Variable rate borrowings:						
Bank loans	6.53%	1,000	5.22%	10,000	4.35%-4.70%	74,000
Total borrowings		764,556		1,308,115		1,640,284
Fixed rate borrowings as a percentage of total borrowings		99.87%		99.24%		95.49%

(iii) Sensitivity analysis

At 31 December 2018, 2019 and 2020, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variable held constant, would have decreased/increased the Group's loss after taxation and accumulated losses by approximately RMB8,000, RMB75,000 and RMB555,000.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is not exposed to significant foreign currency risk since financial assets and liabilities denominated in currencies other than the functional currencies of the Company and its subsidiaries are not significant.

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at the end of each reporting dates:

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement				
Financial liabilities at FVTPL				
– Warrants, onshore loans and convertible note	361,881	–	–	361,881
– Convertible redeemable preferred shares	652,490	–	–	652,490
	1,014,371	–	–	1,014,371

As at 31 December 2018 and 2019, there was no financial assets and financial liabilities that are measured at fair value of the Group.

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the Relevant Periods, there were no transfers among different levels of fair values measurement.

Information about Level 3 fair value measurements

	Fair value measurements using significant unobservable inputs (Level 3) For the year ended 31 December 2020		
	Warrants, onshore loans and convertible note *(note (i))*	**Convertible redeemable preferred shares** *(note (i))*	**Wealth management products**
Opening balance	–	–	–
– Purchases	–	–	30,000
– Issues	234,466	652,490	–
– Settlements	–	–	(30,247)
Total gains or losses for the year			
– Included in profit or loss	132,757	–	247
– Included in other comprehensive income	(5,342)	–	–
Closing balance	361,881	652,490	–
Change in unrealised gains or losses for the year included in combined statements of profit or loss and other comprehensive income for liabilities and assets held at the end of the reporting period	127,415	–	–

Note (i): As the warrants, onshore loans, convertible note and convertible redeemable preferred shares are not traded in an active market, the Group applied the market approach method to determine the underlying equity value of the Group and adopted option-pricing method and equity allocation model to determine the fair value of the warrants, onshore loans, convertible note and convertible redeemable preferred shares. Major assumptions used in the valuation for the warrants, onshore loans, convertible note and convertible redeemable preferred shares are presented in note 22 and note 23.

The convertible redeemable preferred shares were recognised at fair value at its initial recognition on 31 December 2020. Hence, there is no fair value movement in relation to the convertible redeemable preferred shares recognised for the year ended 31 December 2020.

Fair value of the warrants, onshore loans, convertible note and convertible redeemable preferred shares is affected by changes in the Group's equity value. If the Group's equity value had increased/decreased by 10% with all other variables held constant, the loss before income tax for the year ended 31 December 2020 would have been approximately RMB21,119,000/RMB20,957,000 higher/lower.

(ii) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values as at 31 December 2018, 2019 and 2020 because of the short-term maturities of all these financial instruments.

30 COMMITMENTS

Capital commitments outstanding at 31 December 2018, 2019 and 2020 not provided for in the Historical Financial Information were as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Capital commitments	70,875	58,838	21,213

31 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

During the year ended 31 December 2018, 2019 and 2020, the directors are of the view that the following are related parties of the Group:

Name of related parties	**Relationship with the Group**
Mr. Zhao Lin & Ms. Peng Xin	Founders of the Company
Dongguan Zundao Environmental Protection Packaging Co., Ltd. (referred to as "Dongguan Zundao")	Entity controlled by the founders of the Company
Shenzhen Xinian Manyi Gongcha Beverage Management Co., Ltd. (referred to as "Xinian Manyi Gongcha")	Entity where the founders of the Company had significant influences
Xinian Dalang Beverage Store, Longhua District, Shenzhen (referred to as "Xinian Dalang")	Entity where the founders of the Company had significant influences
Shenzhen Fucheng Technology Co., Ltd. (referred to as "Shenzhen Fucheng")	Entity where the founders of the Company had significant influences

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	2,388	3,122	2,958
Post-employment benefits	32	59	50
Equity-settled share-based payment expenses	–	–	36,454
	2,420	3,181	39,462

Total remuneration is included in "staff costs" (see note 6(b)).

(c) Related parties transactions

In addition to those related party transactions disclosed elsewhere in this accountants' report, the Group had the following transactions with its related parties during the year:

	For the years ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Recurring transactions:			
Sales to a related party			
– Xinian Manyi Gongcha	758	399	–
Purchase from related parties			
– Dongguan Zundao	33,927	84,018	85,025
– Shenzhen Fucheng	–	4,307	8,165
	34,685	88,724	93,190

(d) Balance with related parties

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from			
Trade in nature			
– Xinian Dalang	–	84	306
Non-trade in nature			
– Xinian Dalang	–	535	–
	–	619	306

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to			
Trade in nature *(i)*			
– Dongguan Zundao	12,290	16,846	14,394
– Shenzhen Fucheng	–	2,293	2,266
Non-trade in nature *(ii)*			
– Mr. Zhao Lin & Ms. Peng Xin	15,974	2,540	159
– Xinian Manyi Gongcha	1,537	–	–
	29,801	21,679	16,819

Notes:

(i) The outstanding balances with these related parties are trading balances included in "Trade and other payables" (note 18).

(ii) The outstanding non-trade balances as at 31 December 2020 had been settled as at 31 March 2021.

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at the date of this report, the Directors consider the immediate parent of the Company to be Linxin Holding Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Zhao Lin and Ms. Peng Xin.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2020

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of amendments and new standards, which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following.

	Effective for accounting periods beginning on or after
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – Phase 2*	1 January 2021
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to IFRS Standards, *Annual Improvements to IFRS Standards 2018-2020*	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance Contracts*	1 January 2023
Amendments to IFRS 17	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far, the Group has concluded that the adoption of them is unlikely to have a significant impact on the Historical Financial Information.

34 SUBSEQUENT EVENTS

(a) Completion of the Reorganisation

As at the date of approval of the Historical Financial Information, the Reorganisation for IPO purpose as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus had been completed in which the Company as the offshore holding company of the Group with the Founders as the ultimate controlling beneficial owners.

(b) Issue of Series A, Series A+ and Series B-1 Preferred Shares

Subsequent to 31 December 2020, Shenzhen Pindao Management had repaid the aggregate principal investment amount of RMB381 million to the redeemable capital contribution investors, pursuant to the share subscription agreement entered between the Company and the redeemable capital contribution investors. The repayments were utilized by the redeemable capital contribution investors to subscribe for 111,110,000, 12,620,749 and 66,453,748 Series A, Series A+ and Series B-1 Preferred Shares of the Company, respectively. Repayment of the principal investment amount of RMB11 million to one of the investors during the Relevant Periods (note 21) were utilised to subscribe for 12,630,019 Series A+ Preferred Shares. All subscriptions were fully settled by 13 January 2021.

(c) Issue of Series B-2 Preferred Shares

Subsequent to 31 December 2020, upon completion of the Reorganisation, the convertible note, warrant and onshore loan holders of the Company had exercised and converted the instruments into 7,854,226 and 48,428,221 of Series B-2 Preferred Shares, respectively. Such transactions were completed by 13 January 2021.

(d) Re-designation of ordinary shares to Series C Preferred Shares

Subsequent to 31 December 2020, pursuant to a shares purchase agreement entered between the Company, the Controlling Shareholders of the Company and a Pre-IPO investor, namely Court Card HK Limited ("CCHK"), CCHK agreed to purchase 4,531,117 ordinary shares from the controlling beneficial owners with a total consideration of USD5 million. Immediately upon the completion of the transaction, the Company had re-designated all the ordinary shares purchased by CCHK as Series C Preferred Shares. Such transactions were completed by 13 January 2021.

(e) Grant of RSUs

Subsequent to 31 December 2020, the Company granted a total of 1,135,700 RSUs to certain employees of the Group. The RSUs will become vested upon satisfying certain vesting conditions.

As at the date of approval of the Historical Financial Information, apart from the events detailed elsewhere in this report, the Group did not have any other significant event subsequent to 31 December 2020.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2020.

The information set forth in this appendix does not form part of the Accountants' Report from the reporting accountants of our Company, KPMG, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and our historical financial information included in the Accountants' Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the combined net tangible liabilities of the Group attributable to equity shareholders of the Company as if the Global Offering had been completed on 31 December 2020.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the net tangible assets of the Group attributable to equity shareholders of the Company had the Global Offering been completed as at 31 December 2020 or any future date.

	Combined net tangible liabilities of the Group attributable to equity shareholders of the Company as of 31 December 2020[(i)]	Estimated net proceeds from the Global Offering[(ii)]	Estimated impact upon the termination of the financial instruments with preferred rights[(iii)]	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company[(iv)]	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share[(iv)]	Unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share[(v)]
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an Offer Price of HK$17.20 per share	(425,468)	3,467,836	1,479,680	4,522,048	2.64	3.20
Based on an Offer Price of HK$19.80 per share	(425,468)	3,996,262	1,479,680	5,050,474	2.94	3.58

Notes:

(i) The combined net tangible liabilities of the Group attributable to equity shareholders of the Company as of 31 December 2020 is calculated based on the combined net liabilities of our Group of RMB424,417,000 as of 31 December 2020, after deduction of intangible assets of RMB1,051,000 as shown in the Accountants' Report as set out in Appendix I in this prospectus.

(ii) The estimated net proceeds from the Global Offering are based on the estimated Offer Prices of HK$17.20 per share and HK$19.80 per share, being the lower end price and higher end price of the indicative Offer Price range respectively, after deduction of the estimated underwriting fees and other related expenses related to Global Offering (excluding approximately RMB11,410,000 listing expenses which has been charged to the combined statements of profit or loss up to 31 December 2020) and the issuance of 257,269,000 shares, takes no account of any shares that may be issued upon exercise of the Over-Allotment Option, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates. The estimated net proceeds from the Global Offering is converted into RMB at an exchange rate of HK$1.2152 to RMB1. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted into RMB, or vice versa, at that rate.

(iii) As of 31 December 2020, the aggregate carrying amount of financial instruments with redemption or conversion rights (comprising redeemable capital contributions, financial liabilities at FVTPL and convertible redeemable preferred shares) was RMB1,479,680,000. Upon the completion of the Reorganization, the financial liabilities at FVTPL were effectively converted into convertible redeemable preferred shares and additional issuances of certain series of preferred shares to the redeemable capital contribution investors in January 2021. Upon the Listing, the convertible redeemable preferred shares will be automatically converted into ordinary shares of the Company and will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company will be increased by RMB1,479,680,000 as if the conversion of convertible redeemable preferred shares to ordinary shares had taken place on 31 December 2020.

(iv) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share is arrived at after the adjustments as described in note (ii) and (iii) and on the basis that a total of 1,715,126,147 shares were in issue assuming that the Global Offering was completed on 31 December 2020, but takes no account of any shares which may be issued upon the exercise of the Over-Allotment Option, and excluding any shares which may be issued or repurchased by the Company pursuant to the general mandates.

(v) The unaudited pro forma adjusted net tangible assets attributable to equity shareholders of the Company per share is converted into Hong Kong dollars at an exchange rate of RMB1 to HK$1.2152. No representation is made that RMB amounts have been, could have been or may be converted into Hong Kong dollars, or vice versa, at that rate.

(vi) No adjustment has been made to the unaudited pro forma adjusted net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.

B. REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF NAYUKI HOLDINGS LIMITED (FORMERLY KNOWN AS "PINDAO HOLDINGS LIMITED")

We have completed our assurance engagement to report on the compilation of pro forma financial information of Nayuki Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 December 2020 and related notes as set out in Part A of Appendix II to the prospectus dated 18 June 2021 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 31 December 2020 as if the Global Offering had taken place at 31 December 2020. As part of this process, information about the Group's financial position as at 31 December 2020 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 December 2020 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group, and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong

18 June 2021

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act (as amended) of the Cayman Islands (the "**Companies Act**").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 5 September 2019 under the Companies Act. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").

1 MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 ARTICLES OF ASSOCIATION

The Articles were adopted on 9 June 2021. 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 ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value 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.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members:

(i) increase its share capital by the creation of new shares of such amount as it thinks expedient;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;

(iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;

(v) cancel any shares which, at the date 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;

(vi) make provision for the allotment and issue of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (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 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.

The Board may, in its absolute discretion, at any time and from time to time remove 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.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register 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.

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).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

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) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) 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.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, 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 payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and 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.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resign;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

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

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(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 any other 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. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition 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 either:

(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 of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their 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

(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. 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

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the "**Registrar of Companies**") within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

(i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and

(ii) 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. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company 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 authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(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 time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

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 or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, 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 any other 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 in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings.

(e) Quorum for meetings and separate class meetings

No business shall be transacted 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 sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of 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 an individual 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 if it were an individual member. 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 authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted 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 his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) 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 authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office 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 Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such 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 wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed 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) 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 Hong Kong 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 Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the 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 on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or 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 sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 5 September 2019 subject to the Companies Act. Certain provisions of Cayman Islands company law 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 aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

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 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 premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any 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.

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 Cayman Islands law 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.

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, 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 v. 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).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

(a) all sums of money received and expended by it;

(b) all sales and purchases of goods by it; and

(c) 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 (as amended) of the Cayman Islands (the "**TIA Act**"), 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

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the "**Tax Concessions Act**"), the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

    (i) on or in respect of the shares, debentures or other obligations of the Company; or

    (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 30 years from June 7, 2021.

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.

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. 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 TIA Act.

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 which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 60 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:

(a) an order of the court;

(b) voluntarily by its members; or

(c) 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 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:

(a) the company is or is likely to become insolvent; or

(b) 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 authorized 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 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. 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, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of 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.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, 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.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on September 5, 2019. Our registered office is at Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. Accordingly, our Company's corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Articles of Association is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law – 2 Articles of Association" in Appendix III to this Prospectus.

Our registered place of business in Hong Kong is 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 6, 2021 with the Registrar of Companies in Hong Kong. Ms. Lau Jeanie (劉准羽) 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 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

Our Company's head office is located at Zone F, 2F, Building 3, Huangguan Science Park, Chegongmiao Industrial Zone, Futian District, Shenzhen, PRC.

2. Changes in the Share Capital

As of the date of incorporation of our Company, our authorized share capital was US$50,000, divided into 1,000,000,000 ordinary shares with a par value of US$0.00005 each. Upon incorporation, 1 Share was allotted and issued to the initial subscriber, an Independent Third Party, at par value, which was subsequently transferred to Ms. Peng at par value. On the same day, 999,999,999 fully paid Shares were allotted and issued to Ms. Peng. On October 16, 2019, Ms. Peng transferred 1,000,000,000 Shares, fully paid, to Linxin Holdings.

Since the incorporation of our Company, the following changes in our Company's issued share capital were implemented:

(a) On October 26, 2020, our Company issued Series A Preferred Shares in the following manner:

   (i) 66,670,287 Series A Preferred Shares to Tiantu Xingli; and

   (ii) 44,439,713 Series A Preferred Shares to Chengdu Tiantu;

(b) On October 26, 2020, our Company issued Series A+ Preferred Shares in the following manner:

(i) 12,620,749 Series A+ Preferred Shares to Chengdu Tiantu; and

(ii) 12,630,019 Series A+ Preferred Shares to Forever Highness International;

(c) On October 26, 2020, our Company issued Series B-1 Preferred Shares in the following manner:

(i) 13,290,371 Series B-1 Preferred Shares to Tiantu Dongfeng;

(ii) 19,936,188 Series B-1 Preferred Shares to Tiantu Xingnan; and

(iii) 33,227,189 Series B-1 Preferred Shares to Tiantu Xingpeng;

(d) On December 25, 2020, our Company issued 121,226,552 Ordinary Shares to Forth Wisdom Limited;

(e) On December 25, 2020, our Company issued 5,035,756 Ordinary Shares to Evermore Glory Limited;

(f) On December 31, 2020, 18,124,469 Ordinary Shares from Linxin Holdings were re-designated as Series C Preferred Shares to PAGAC Nebula;

(g) On December 31, 2020, our Company issued 72,497,876 Series C Preferred Shares to PAGAC Nebula;

(h) On January 1, 2021, our Company issued 7,854,226 Series B-2 Preferred Shares to HLC;

(i) On January 13, 2021, our Company issued Series B-2 Preferred Shares in the following manner:

(i) 19,395,844 Series B-2 Preferred Shares to SCGC Capital;

(ii) 16,935,553 Series B-2 Preferred Shares to GDHT Ventures; and

(iii) 12,096,824 Series B-2 Preferred Shares to FSJC Ventures;

(j) On January 13, 2021, 4,531,117 Ordinary Shares from Linxin Holdings were re-designated as Series C Preferred Shares to HLC;

(k) On May 26, 2021, Forth Wisdom Limited surrendered 29,495,144 Ordinary Shares, which were immediately cancelled;

(l) On May 26, 2021, our Company issued 29,495,144 Ordinary Shares to Crystal Tide Profits Limited; and

(m) On May 26, 2021, Linxin Holdings transferred 977,344,414 Ordinary Shares to Linxin Group.

Each Series A Preferred Share, Series A+ Preferred Share, Series B-1 Preferred Share, Series B-2 Preferred Share and Series C Preferred Share of the Company shall automatically be converted into Shares of the Company at the then effective applicable conversion price upon the completion of the Global Offering.

Pursuant to the written resolutions of our Shareholders passed on April 23, 2020, the authorized share capital of our Company was amended to US$250,000 divided into 5,000,000,000 Shares consisting of (i) 4,664,276,728 Ordinary Shares, (ii) 111,110,000 Series A Preferred Shares, (iii) 25,250,768 Series A+ Preferred Shares, (iv) 66,453,748 Series B-1 Preferred Shares, and (v) 132,908,756 Series B-2 Preferred Shares.

Pursuant to the written resolutions of our Shareholders passed on January 13, 2021, the authorized share capital of our Company was amended to US$250,000 divided into 5,000,000,000 Shares comprising (i) 4,645,446,074 Ordinary Shares, (ii) 111,110,000 Series A Preferred Shares, (iii) 25,250,768 Series A+ Preferred Shares, (iv) 66,453,748 Series B-1 Preferred Shares, (v) 56,282,447 Series B-2 Preferred Shares, and (vi) 95,153,462 Series C Preferred Shares.

Save as disclosed herein, there has been no alteration in our share capital and no redemption, repurchase or sale of any of our share capital since our incorporation.

3. Resolutions of our Shareholders

Resolutions of our Shareholders were passed on June 9, 2021, pursuant to which, among others:

(a) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;

(b) conditional upon all the conditions set out in "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this Prospectus being fulfilled:

(i) the Global Offering was approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect the same as it thinks fit;

(ii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the Global Offering; and

(iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the price per Offer Share with the Joint Bookrunners.

(c) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to the Global Offering or pursuant to a right issue or pursuant to the exercise of any subscription rights attaching to any warrants or any option scheme or similar arrangement which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceed 20% of the number of the Shares in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;

(d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the number of the Shares in issue immediately following the completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first;

(e) the general mandate mentioned in paragraph (c) above be extended by the addition to the number of the Shares which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by the Company pursuant to the mandate to purchase shares referred to in paragraph (d) above; and

(f) immediately prior to the completion of the Global Offering, each Series A Preferred Share, Series A+ Preferred Share, Series B-1 Preferred Share, Series B-2 Preferred Share and Series C Preferred Share of the Company be converted into ordinary Shares of the Company at the then effective applicable conversion price upon the completion of the Global Offering.

4. Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. See the section headed "History, Reorganization and Corporate Structure" in this Prospectus for information relating to the Reorganization.

5. Changes in the Capital of our Subsidiaries

Our subsidiaries during the Track Record Period are set out in the Accountant's Report set out in Appendix I to this Prospectus. Save as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this Prospectus.

Shenzhen Pindao Group

On December 25, 2020, the registered capital of Shenzhen Pindao Group was increased from RMB10 million to RMB1 billion due to the subscription of capital by Pindao Holdings Hong Kong Limited, of which US$94,500,000 was fully paid up.

Shenzhen Pindao Management

On October 29, 2020, the registered capital of Shenzhen Pindao Management was decreased from RMB113,636 to RMB100,000.

On December 8, 2020, the registered capital of Shenzhen Pindao Management was increased from RMB100,000 to RMB114,103 due to the investment by Forever Highness Hong Kong Limited.

On December 22, 2020, the registered capital of Shenzhen Pindao Management was increased from RMB114,103 to RMB1,343,053 due to the subscription of capital by Shenzhen Pindao Group. The full consideration for the subscription by Shenzhen Pindao Group was RMB958,581,300, of which RMB100,000,000 was fully paid up.

6. Repurchases of our Own Securities

(a) Provisions of the Listing Rules

Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the 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 June 9, 2021, a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the number of Shares in issue immediately following the completion of the Global Offering until the conclusion of our next annual general meeting, or the date by which our next annual general meeting is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering. Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be canceled and destroyed.

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of our 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), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the 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 Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected parties

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors 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 the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this Prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this Prospectus. The Directors, however, 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 or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 1,715,126,147 Shares in issue immediately following the completion of the Global Offering, could accordingly result in 171,512,614 Shares being repurchased by our Company during the period prior to the earliest occurrence of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws of Hong Kong to be held; or (3) the revocation or variation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting (the "**Relevant Period**").

(d) General

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the 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 and regulations of Hong Kong. Our Company have not repurchased any Shares since our incorporation.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, 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 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, the 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 which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange 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.

No core connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this Prospectus that are or may be material:

(a) the reorganization framework agreement dated October 20, 2019 entered into among Shenzhen Pindao Food & Beverage Management Co., Ltd. (深圳市品道餐飲管理有限公司), Ms. Peng Xin, Mr. Zhao Lin, Mr. Cao Minghui (曹明慧), Chengdu Tiantu Tiantou Dongfeng Equity Investment Fund Center (Limited Partnership) (成都天圖天投東風股權投資基金中心(有限合夥)), Beijing Tiantu Xingbei Investment Center (Limited Partnership) (北京天圖興北投資中心(有限合夥)), Shenzhen Tiantu Dongfeng Medium Small and Micro Enterprises Equity Investment Fund Partnership (Limited Partnership) (深圳市天圖東峰中小微企業股權投資基金合夥企

業(有限合夥)), Shenzhen Tiantu Xingnan Investment Enterprise (Limited Partnership) (深圳天圖興南投資合夥企業(有限合夥)), Shenzhen Tiantu Xingpeng Consumption Industry Equity Investment Fund Partnership (Limited Partnership) (深圳天圖興鵬大消費產業股權投資基金合夥企業(有限合夥)) and Shenzhen Tiantu Xingli Investment Enterprise (Limited Partnership) (深圳天圖興立投資企業(有限合夥)), pursuant to which all parties agreed on the steps to be taken and other related transactions to implement the reorganization of Shenzhen Pindao Food & Beverage Management Co., Ltd. (深圳市品道餐飲管理有限公司);

(b) the shareholders and investors rights agreement dated May 8, 2020 (the "**SHA**") entered into among Pindao Holdings Limited (品道控股有限公司) (i.e. the Company), Ms. Xin Peng, Mr. Lin Zhao, Linxin Holdings Limited, SCGC Capital Holding Company Limited (SCGC資本控股有限公司), GDHT Ventures Limited (紅土創投有限公司), FSJC Ventures Limited (紅土君晟創投有限公司) and Shenzhen Red Earth Guangming Venture LLP (深圳市紅土光明創業投資基金合夥企業(有限合夥)), pursuant to which the parties agreed on the terms and conditions to regulate the affairs of the Company and the rights of the shareholders;

(c) the deed of joinder and amendment to shareholders agreement dated July 16, 2020 entered into among Pindao Holdings Limited (品道控股有限公司) (i.e. the Company), Court Card HK Limited, Ms. Xin Peng, Mr. Lin Zhao, Linxin Holdings Limited, SCGC Capital Holding Company Limited (SCGC資本控股有限公司), GDHT Ventures Limited (紅土創投有限公司), FSJC Ventures Limited (紅土君晟創投有限公司), whereby Court Card HK Limited was deemed a party to the SHA and the parties agreed to make certain amendments to the SHA;

(d) the amended and restated shareholders and investors rights agreement dated December 31, 2020 entered into among Pindao Holdings Limited (品道控股有限公司) (i.e. the Company), Ms. Xin Peng, Mr. Lin Zhao, Linxin Holdings Limited, Forth Wisdom Limited, Pindao Holdings Limited (品道控股有限公司) (i.e. Pindao Holdings BVI), Pindao Holdings Hong Kong Limited (品道控股香港有限公司), Shenzhen Pindao Group Co., Ltd. (深圳市品道集團有限公司), Shenzhen Pindao Food & Beverage Management Co., Ltd. (深圳市品道餐飲管理有限公司), PAGAC Nebula Holdings Limited, SCGC Capital Holding Company Limited (SCGC資本控股有限公司), GDHT Ventures Limited (紅土創投有限公司), FSJC Ventures Limited (紅土君晟創投有限公司), Court Card HK Limited, Shenzhen Tiantu Xingli Investment Enterprise (Limited Partnership) (深圳天圖興立投資企業(有限合夥)), Chengdu Tiantu Tiantou Dongfeng Equity Investment Fund Center (Limited Partnership) (成都天圖天投東風股權投資基金中心(有限合夥)), Shenzhen Tiantu Dongfeng Medium Small and Micro Enterprises Equity Investment Fund Partnership (Limited Partnership) (深圳市天圖東峰中小微企業股權投資基金合夥企業(有限合夥)), Shenzhen Tiantu Xingnan Investment Enterprise (Limited Partnership) (深圳天圖興南投資合夥企業(有限合夥)), Shenzhen Tiantu Xingpeng Consumption Industry Equity Investment Fund Partnership (Limited Partnership) (深圳天圖興鵬大消費產業股權投資基金合夥企業(有限合夥)) and Forever Highness

International Limited (永樂高國際有限公司), pursuant to which the parties agreed to amend and restate certain prior shareholders agreements in their entirety, and agreed on the terms and conditions to regulate the affairs of the Company and the rights of the shareholders;

(e) the second amended and restated shareholders and investors rights agreement (the "**2nd A&R SHA**") dated January 13, 2021 entered into among Nayuki Holdings Limited (奈雪的茶控股有限公司), Ms. Xin Peng, Mr. Lin Zhao, Linxin Holdings Limited, Forth Wisdom Limited, Pindao Holdings Limited (品道控股有限公司) (i.e. Pindao Holdings BVI), Pindao Holdings Hong Kong Limited (品道控股香港有限公司), Shenzhen Pindao Group Co., Ltd. (深圳市品道集團有限公司), Shenzhen Pindao Food & Beverage Management Co., Ltd. (深圳市品道餐飲管理有限公司), Evermore Glory Limited, PAGAC Nebula Holdings Limited, Court Card HK Limited, SCGC Capital Holding Company Limited (SCGC資本控股有限公司), GDHT Ventures Limited (紅土創投有限公司), FSJC Ventures Limited (紅土君晟創投有限公司), Shenzhen Tiantu Xingli Investment Enterprise (Limited Partnership) (深圳天圖興立投資企業(有限合夥)), Chengdu Tiantu Tiantou Dongfeng Equity Investment Fund Center (Limited Partnership) (成都天圖天投東風股權投資基金中心(有限合夥)), Shenzhen Tiantu Dongfeng Medium Small and Micro Enterprises Equity Investment Fund Partnership (Limited Partnership) (深圳市天圖東峰中小微企業股權投資基金合夥企業(有限合夥)), Shenzhen Tiantu Xingnan Investment Enterprise (Limited Partnership) (深圳天圖興南投資合夥企業(有限合夥)), Shenzhen Tiantu Xingpeng Consumption Industry Equity Investment Fund Partnership (Limited Partnership) (深圳天圖興鵬大消費產業股權投資基金合夥企業(有限合夥)) and Forever Highness International Limited (永樂高國際有限公司), pursuant to which the parties agreed to amend and restate certain prior shareholders agreements in their entirety, and agreed on the terms and conditions to regulate the affairs of the Company and the rights of the shareholders;

(f) the joinder agreement dated May 26, 2021 entered into by and between Nayuki Holdings Limited (奈雪的茶控股有限公司) and Linxin Group Limited, pursuant to which Linxin Group Limited agreed to be a party to the 2nd A&R SHA and Linxin Holdings Limited ceased to be a party to the 2nd A&R SHA;

(g) the joinder agreement dated May 26, 2021 entered into by and between Nayuki Holdings Limited (奈雪的茶控股有限公司) and Crystal Tide Profits Limited (signed by T Proteus Limited in capacity as its director) pursuant to which Crystal Tide Profits Limited agreed to be a party to the 2nd A&R SHA;

(h) the cornerstone investment agreement dated June 16, 2021 entered into among Nayuki Holdings Limited (奈雪的茶控股有限公司), UBS Asset Management (Singapore) Ltd. (as the investment manager for and on behalf of UBS (LUX) EQUITY FUND – GREATER CHINA, UBS (LUX) EQUITY FUND – CHINA OPPORTUNITY, UBS (HK) FUND SERIES – CHINA OPPORTUNITY EQUITY (USD), UBS (CAY) INVESTMENT FUND SPC – UBS CHINA EQUITY SELECT

CHERRY SEGREGATED PORTFOLIO II, UBS (LUX) EQUITY SICAV – ALL CHINA (USD), UBS (LUX) KEY SELECTION SICAV – CHINA EQUITY LONG SHORT (USD) and UBS (LUX) KEY SELECTION SICAV – CHINA ALLOCATION OPPORTUNITY), J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities PLC, CMB International Capital Limited, and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this Prospectus;

(i) the cornerstone investment agreement dated June 16, 2021 entered into among Nayuki Holdings Limited (奈雪的茶控股有限公司), China Universal Asset Management Co., Ltd, J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities PLC, CMB International Capital Limited, and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this Prospectus;

(j) the cornerstone investment agreement dated June 16, 2021 entered into among Nayuki Holdings Limited (奈雪的茶控股有限公司), GF Fund Management Co., Ltd., J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities PLC, CMB International Capital Limited, and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this Prospectus;

(k) the cornerstone investment agreement dated June 16, 2021 entered into among Nayuki Holdings Limited (奈雪的茶控股有限公司), China Southern Asset Management Co. Ltd, J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities PLC, CMB International Capital Limited, and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this Prospectus;

(l) the cornerstone investment agreement dated June 16, 2021 entered into among Nayuki Holdings Limited (奈雪的茶控股有限公司), Grand Rejuvenation Premium Selection Fund SPC (乾元復興精選基金) (on behalf of and for the account of CCBI Multi-Strategy SP), J.P. Morgan Securities (Far East) Limited, J.P. Morgan Securities (Asia Pacific) Limited, J.P. Morgan Securities PLC, CMB International Capital Limited, and Huatai Financial Holdings (Hong Kong) Limited, details of which are included in the section headed "Cornerstone Investors" in this Prospectus; and

(m) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we consider to be material to our Group's business, all of which are owned and registered by Shenzhen Pindao Management:

Trademark	Place of registration
奈雪の茶	PRC, Hong Kong, United States, Japan
TANGGUI 台盖	PRC, Hong Kong, United States, Japan
NAYUKI	PRC, Hong Kong, United States, Japan
奈雪梦工厂	PRC
Bla Bla Bar	PRC, Hong Kong, United States, Japan
奈雪の茶 NAYUKI	PRC, Hong Kong
奈雪の茶 NAYUKI	Hong Kong
	PRC
台盖	PRC

As of the Latest Practicable Date, our Group had made no trademark application which we consider to be material to our Group's business.

(b) Domain Names

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be material to our Group's business:

Domain name	Registered owner	Expiry date
naixuecha.com	Shenzhen Pindao Management	November 5, 2021
na-yuki.com	Shenzhen Pindao Management	December 23, 2022
nayuki.com.cn	Shenzhen Pindao Management	February 11, 2022

(c) Patents

As of the Latest Practicable Date, our Group had registered the following patent which we consider to be material to our Group's business:

Title	Place of registration	Registered owner
Cold beverage cup (for *Nayuki* cold beverages)	PRC	Shenzhen Pindao Management
A kind of bottle filter and bottle	PRC	Shenzhen Pindao Management

As of the Latest Practicable Date, our Group had made no patent application which we consider to be material to our Group's business.

(d) Software copyrights

As of the Latest Practicable Date, our Group had registered the following software copyrights which we consider to be material to our Group's business, all of which were applied for in the PRC:

Title	**Registered owner**
Nayuki order system (奈雪的茶點單系統)	Shenzhen Pindao Management
Pindao teahouses group coordinated supply management software v.1 (品道門店集群協同供應管理軟件v.1)	Shenzhen Pindao Research & Development Co., Ltd. (深圳市品道科技研發有限公司)
Pindao Internet Payment software v.1 (品道互聯網支付軟件v.1)	Shenzhen Pindao Research & Development Co., Ltd. (深圳市品道科技研發有限公司)
Data-based analysis and decision-making product management system v.1 (基於數據分析與決策的商品管理系統v.1)	Shenzhen Pindao Research & Development Co., Ltd. (深圳市品道科技研發有限公司)
Pindao resources coordination management system v.1 (品道資源協同管理系統v.1)	Shenzhen Pindao Research & Development Co., Ltd. (深圳市品道科技研發有限公司)
Pindao online order management system v.1 (品道線上訂單管理系統v.1)	Shenzhen Pindao Research & Development Co., Ltd. (深圳市品道科技研發有限公司)
Pindao personalized ordering service system v.1 (品道個性化點單服務系統v.1)	Shenzhen Pindao Research & Development Co., Ltd. (深圳市品道科技研發有限公司)

Save as disclosed above, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or individual property rights which are or may be material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Disclosure of Interests of Directors

Immediately following completion of the Global Offering (without taking into account the Shares to be allotted and issued upon the exercise of the Over-allotment Option), the interests and/or short positions (as applicable) of our Directors or chief executives of our Company 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 Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("**Model Code**") once the Shares are listed, will be as follows:

Interest in Shares of our Company

Name of Director	Capacity/Nature of Interest	Number of Shares Interested upon Listing	Approximate percentage of voting rights in our Company upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Mr. Zhao[(1)(2)(3)]	Beneficial interest; interest in controlled corporation; interest of spouse	1,098,570,966	64.05%
Ms. Peng[(1)(2)(3)]	Beneficial interest; interest in controlled corporation; interest of spouse; executor or administrator	1,098,570,966	64.05%
Deng Bin[(4)]	Beneficial interest	1,526,300	0.09%

Notes:

(1) Linxin Group, a company incorporated in the BVI on December 29, 2020, is a holding company wholly-owned by Linxin International, a holding company incorporated in the BVI, which is in turn wholly-owned by Linxin Trust. Linxin Trust is an irrevocable discretionary trust established in Guernsey on December 30, 2020, the beneficiary of which is Linxin Holdings, a holding company ultimately controlled as to 50% by each of Mr. Zhao and Ms. Peng, respectively. The voting rights in the Company held by Linxin Group are exercised by Mr. Zhao and Ms. Peng, a married couple. Accordingly, each of Mr. Zhao and Ms. Peng is deemed to be interested in the total number of Shares held by Linxin Group.

(2) Ms. Peng is the spouse of Mr. Zhao and is therefore deemed to be interested in the Shares held by Mr. Zhao. Moreover, each of Mr. Zhao and Ms. Peng has been granted options with respect to 220,781 outstanding Shares under the 2020 Share Option Plan. These Shares are currently held by Forth Wisdom Limited (see note (3) below). For details, please refer to the section headed "Statutory and General Information – D. Equity Incentive Plans – 1. Share Option Plan" in this Prospectus.

(3) Forth Wisdom Limited, a company incorporated under the Laws of the British Virgin Islands, is our Company's offshore employee incentive platform for the Equity Incentive Plans and holds 121,226,552 Shares in our Company. Forth Wisdom Limited is wholly-owned by Zedra Holdings (Cayman) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Forth Wisdom Limited are exercised jointly by Mr. Zhao and Ms. Peng.

Pursuant to the terms of the 2020 Share Option Plan, such plan is subject to the administration of a duly authorized committee of the Board and the trustee. The Shareholders and the Board of the Company have approved that such committee shall consist of Mr. Zhao and Ms. Peng. In addition, the Shareholders and the Board have also approved the establishment of Forth Wisdom Trust and authorized Ms. Peng to administer the trust. Through passing the above resolutions, the Shareholders and the Board authorized Mr. Zhao and Ms. Peng to give instructions to the trustee and, effectively, control the voting rights of the Shares held by Forth Wisdom Limited.

Crystal Tide Profits Limited, a company incorporated under the Laws of the British Virgin Islands, is a platform holding Shares for future benefit to employees, advisors and consultants as the Board deems fit. Crystal Tide Profits Limited is wholly-owned by Trident Trust Company (HK) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Crystal Tide Profits Limited are exercised by Ms. Peng.

(4) Mr. Deng Bin has been granted options with respect to 1,526,300 outstanding Shares under the 2020 Share Option Plan. These Shares are currently held by Forth Wisdom Limited (see note (3) above). For details, please refer to the section headed "Statutory and General Information – D. Equity Incentive Plans – 1. Share Option Plan" in this Prospectus.

(b) Disclosure of Interests of Substantial Shareholders

For information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders" in this Prospectus.

(i) Interests of substantial shareholders in any member of our Group (except our Company)

As of the Latest Practicable Date, our Directors are not aware of any persons (not being Directors or chief executive of our Company) who would, immediately following the completion of the Global Offering (without taking into account the exercise of the Over-allotment Option) be directly or indirectly interested in 10% or more of the issued voting shares of any member of our Group (except our Company).

2. Particulars of Service Contracts

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from February 5, 2021, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) Non-executive Director and Independent Non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors has entered into and signed a service contract and an appointment letter, respectively, with our Company for a term of three years with effect from February 5, 2021, and date of this prospectus, respectively, which may be terminated by not less than one month's notice in writing served by either the non-executive Director, the independent non-executive Director, as the case may be, or our Company. Under their respective appointment letters or service contracts, as the case may be, each of the independent non-executive Directors is entitled to a fixed Director's fee while the non-executive Directors are not entitled to any remuneration. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) Directors' Remuneration

The aggregate amount of remuneration paid to our Directors in respect of the financial years ended December 31, 2018, 2019 and 2020 was approximately RMB2.0 million, RMB1.8 million and RMB33.8 million, respectively. Under the arrangements in force as of the date of this Prospectus, it is estimated that our Executive Directors and Independent Non-executive Directors will be entitled to receive remuneration and benefits in kind of their service which, for the year ended December 31, 2021, are expected to be approximately RMB3,171,000 and HK$360,000, respectively. Our non-executive Directors are not entitled to any remuneration for the year ended December 31, 2021.

For the years ended December 31, 2018, 2019 and 2020, the five highest paid individuals of our Group included three, one and two Director(s), respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the relevant Directors set out above. Among such five highest paid individuals excluding our Directors, for the years ended December 31, 2018, 2019 and 2020, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension scheme contributions paid and benefits in kind granted to the remaining two, four and three individuals were approximately RMB1.5 million, RMB2.8 million and RMB8.2 million, respectively. For further details on the remuneration of the five highest paid individuals during the Track Record Period, see Note 9 of the Accountant's Report in Appendix I of this Prospectus.

None of our Directors or any past directors of any member of the Group has been paid any sum of money for the years ended December 31, 2018, 2019 and 2020 as (a) an inducement to join or upon joining the Company; or (b) for loss of office as a 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.

There were no arrangements under which any Director has waived or agree to waive any emolument during the Track Record Period.

Save as disclosed above, none of the Directors has entered into any service contract 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).

3. Fees or commissions received

Save as disclosed in this section, none of the Directors or any of the persons whose names are listed under the section headed "– E. Other Information – 10. Consent of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this Prospectus.

4. Miscellaneous

(a) Save as disclosed in this section, none of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (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 referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are listed on the Stock Exchange;

(b) None our Directors nor any of the parties listed in the section headed "– E. Other Information – 10. Consent of Experts" below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this Prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) None of our Directors nor any of the parties listed in the section headed "– E. Other Information – 10. Consent of Experts" below is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;

(d) Other than pursuant to the Underwriting Agreements, none of the parties listed in the section headed "– E. Other Information – 10. Consent of Experts" below:

(i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or

(ii) has any 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.

(e) Save as disclosed in the "Business" and "Connected Transactions" sections, none of our Directors or their respective close associates (as defined under the Listing Rules) or any of our Shareholders (who to the knowledge of our Directors owns more than 5% of our number of issued shares) has any interest in our five largest suppliers. For the three years ended December 31, 2018, 2019 and 2020, revenues derived from our five largest customers accounted for less than 1.0% of our Group's revenue.

(f) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

D. EQUITY INCENTIVE PLANS

The following is a summary of the principal terms of the 2020 Share Option Plan and the 2020 Share Incentive Plan (together, the "**Equity Incentive Plans**"), which were adopted and approved by resolutions in writing by the Board on May 15, 2020. Unless otherwise duly approved by the Board, the total number of Shares underlying the Equity Incentive Plans shall not exceed 126,262,308 Shares, representing approximately 9.50% of the total outstanding share capital of our Company as of May 15, 2020 and 8.66% of the total outstanding share capital of our Company as of the Latest Practicable Date. The terms of the 2020 Share Option Plan are compliant with the provisions of Chapter 17 of the Listing Rules.

As of the Latest Practicable Date, other than 5,035,756 Shares issued to Evermore Glory Limited upon the exercise of the option by Mr. He Gang, 91,731,408 Shares underlying the Equity Incentive Plans have been allotted and issued to Forth Wisdom Limited, which is wholly-held by Zedra Holdings (Cayman) Limited, an independent third party who serves as trustee. If all the outstanding Options granted under the 2020 Share Option Plan are exercised, there will not be any dilution effect on the shareholdings of our Shareholders nor any impact on the earnings per Share arising from the exercise of the outstanding Options.

1. Share Option Plan

(a) Summary of terms

Purpose

The purpose of the 2020 Share Option Plan is to recognize and reward the selected participants for their contribution to our Group, to attract suitable personnel and to provide incentives to them to remain with and further contribute to our Group.

Types of awards

The 2020 Share Option Plan provides for awards of options to subscribe for Shares ("**Options**").

Eligibility

The Board, or a duly authorized committee of the Board (the "**Committee**"), may grant Options to those core personnel (other than those in the IT division of our Group) that it determines to be eligible participants at its sole discretion.

Duration of the plan

Unless terminated early by the Board, the 2020 Share Option Plan shall be valid and effective commencing on May 15, 2020 until its tenth anniversary, after which period no further Options may be offered but the provisions of the plan shall remain in force to the extent necessary to give effect to the exercise of any Options granted prior thereto.

Administration

The 2020 Share Option Plan shall be subject to the administration of the Committee and the trustee of the Forth Wisdom Trust (the "**Trust**"), which was established pursuant to the deed of settlement (the "**Trust Deed**") dated December 2, 2020 and made between the Company and Zedra Trust Company (Cayman) Limited (the "**Trustee**"). Forth Wisdom Limited is wholly-owned by Zedra Holdings (Cayman) Limited, an independent third party who serves as trustee, and is administered by Ms. Peng. The voting rights held by Forth Wisdom Limited are exercised by Mr. Zhao and Ms. Peng.

Pursuant to the terms of the 2020 Share Option Plan, such plan is subject to the administration of a duly authorized committee of the Board and the Trustee. The Shareholders and the Board of the Company have approved that such committee shall consist of Mr. Zhao and Ms. Peng. In addition, the Shareholders and the Board have also approved the establishment of Forth Wisdom Trust and authorized Ms. Peng to administer the Trust. Through passing the above resolutions, the Shareholders and the Board authorized Mr. Zhao and Ms. Peng to give instructions to the Trustee and, effectively, control the voting rights of the Shares held by Forth Wisdom Limited.

Grant of Options

The Committee may at any time during the term of the 2020 Share Option Plan make a grant to any participant, as the Committee may in its absolute discretion determine. The number of Shares underlying an Option may be determined at the sole and absolute discretion of the Board and may differ among selected participants.

The Committee may direct the Trustee in writing to notify each of the selected participants by way of a letter or any such notice in such form as the Committee may from time to time determine, an offer of grant of Option ("**Option Award Agreement**"). An offer shall be deemed to have been accepted when the selected participant signs and returns the acceptance notice to the Trustee directly or indirectly through the Company in accordance with such terms and conditions and procedures under the 2020 Share Option Plan. In the event that the grant is not accepted by any selected participant within the time period prescribed under the 2020 Share Option Plan, such grant shall be deemed as irrevocably rejected and the unvested Options under such Grant shall automatically lapse.

Maximum Entitlement of Participant

After the Listing, no Option shall be granted to any one person such that the total number of Shares subject to the Options and any other option over the Shares (including exercised, cancelled and outstanding options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time, except with the approval of the Shareholders of the Company in general meeting with such person and his close associates abstaining from voting.

Performance target

Options may be granted on such terms and conditions (e.g., by linking the vesting of the option to certain milestones and/or the attainment or performance by any member of our Group, the grantee or any group of grantees) as the Committee may determine.

Exercise price

The exercise price in respect of any Option shall be set forth in the applicable option exercise notice. The Board may determine any further discount to the exercise price upon or after the grant of the Option, provided that the exercise price in respect of any Option granted after the Listing shall be not less than the highest of (a) the nominal value of the Share; (b) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the grant date, which must be a business day; and (c) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the grant date.

Vesting of Option

Subject to the terms of the 2020 Share Option Plan and unless otherwise specified in the terms and conditions applicable to each Option as provided in the applicable Option Award Agreement, a participant's Share Option shall be vested according to the following schedule:

(i) For an Option granted to a participant whose employment with the Company commenced prior to the year of 2020: 20% of the Option shall vest and become exercisable on the first anniversary of the date of grant; 20% of the Option shall vest and become exercisable on the second anniversary of the date of grant; 20% of the Option shall vest and become exercisable on the third anniversary of the date of grant; 20% of the Option shall vest and become exercisable on the fourth anniversary of the date of grant; and 20% of the Option shall vest and become exercisable on the fifth anniversary of the date of grant; and

(ii) For an Option granted to a participant whose employment with the Company commenced in or after the year of 2020: 20% of the Option shall vest and become exercisable on the second anniversary of the date of grant; 20% of the Option shall vest and become exercisable on the third anniversary of the date of grant; 20% of the Option shall vest and become exercisable on the fourth anniversary of the date of grant; 20% of the Option shall vest and become exercisable on the fifth anniversary of the date of grant; and 20% of the Option shall vest and become exercisable on the sixth anniversary of the date of grant.

An Option granted shall be subject to a vesting period (if any) and to the satisfaction of performance and/or other conditions to be determined by the Committee (if any) in its absolute discretion as provided in the applicable Option Award Agreement. If such conditions are not satisfied, the Option shall automatically lapse on the date on which such conditions are not satisfied, as determined by the Committee in its absolute discretion.

In the event a general offer for Shares by way of voluntary offer, takeover or otherwise (other than by way of plan of arrangement) made to all the Shareholders and such offer becomes or is declared unconditional prior to the vesting date of any Option, the Committee shall determine at its absolute discretion, among other things, whether such Option shall vest.

In the event a general offer for Shares by way of plan of arrangement is made to all the Shareholders, the Committee shall, prior to such meetings, determine at its absolute discretion matters that include, but are not limited to, whether such Option shall vest, the percentage of vested Option granted to each Grantee and the period within such Option shall vest.

In the event a notice is given by the Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any Option, the Committee shall determine at its absolution discretion, among other things, whether such Option shall vest.

Exercise of Options

The Options may not be exercised unless such exercise is in compliance with all applicable laws, as they are in effect on the date of exercise. Any Shares obtained from the exercise of Options before the Listing shall be collectively retained and managed by the Trust and be subject to the Trust Deed. An Option shall be exercisable by the giving of a notice (the "**Exercise Notice**") to the Company which shall state the election to exercise, the number of Shares with respect to which the Option is being exercised and such other representations and agreements as may be required by the Company. The Exercise Notice shall be accompanied by payment of the aggregate option as set out under the applicable Option Award Agreement and any amounts required to be withheld to the Company.

Termination of the Option and Repurchase of Shares

Subject to the terms of the 2020 Share Option Plan and unless otherwise specified in the terms and conditions applicable to each Option as provided in the applicable Option Award Agreement, after the Listing:

(i) *Death; Loss of Working Ability; Disability*. In the event of death, loss of working ability, or disability of the participant, (A) any unexercised portion of the Option, whether vested or unvested, shall be immediately terminated and forfeited; and (B) for any vested and exercised portion of the Option, the Company shall not carry out repurchase and such employee, or his personal representative (where applicable), may freely exercise control over his or her Shares.

(ii) *Resignation*. If the participant's employment by or directorship or consultancy with the Company or the relevant entity terminates by reason of the participant's resignation prior to the termination of his or her employment, directorship or consultancy with the Company or such relevant entity, (A) any unexercised portion of the Option, whether vested or unvested, shall be immediately terminated and forfeited; and (B) for any vested and exercised portion of the Option, the Company shall not carry out repurchase and such employee may freely exercise control over his or her Shares.

(iii) *Termination for Cause*. If the participant's employment by or directorship or consultancy with the Company or the relevant entity terminates for Cause or if the Participant's employment, directorship or consultancy contract with the Company or the relevant entity is determined non-renewal for Cause, for any Options (vested or unvested, exercised or unexercised), the Company shall have the option to repurchase at the lower of the Option price or the fair value on the date of such employee's departure. The Committee shall have the right to determine what constitutes Cause.

(iv) *Passive Termination*. If the participant's employment by or directorship or consultancy with the Company or the relevant entity terminates for any reason other than for Cause, or if the participant's employment, directorship or consultancy contract with the Company or any Related Entity is determined non-renewal for any reason other than for Cause, (A) any unexercised portion of the Option, whether vested or unvested, shall be immediately terminated and forfeited; and (B) for any vested and exercised portion of the Option, the Company shall not carry out repurchase and such employee may freely exercise control over his or her Shares.

Lapse of Option

Unless otherwise specified in applicable Option Award Agreement, the unvested Options shall automatically lapse upon the earliest of:

(i) the date of the termination of grantee's employment relationship or service by any member of the Group;

(ii) the date on which the grantee commits a breach under his/her employment agreement with the Group;

(iii) the date on which the voluntary offer (or, as the case may be, revised offer) referred to under the sub-section headed "– Vesting of Option" above closes;

(iv) the record date for determining entitlements under the plan of arrangement referred to the sub-section headed "– Vesting of Option" above;

(v) the date of the commencement of the winding-up of the Company;

(vi) the date on which the Committee exercised its discretion referred to in under the sub-section headed "– Exercise Price" above; or

(vii) the Committee has decided that the unvested Options shall not be vested in the grantee in accordance with the rules of the 2020 Share Option Plan and the terms and conditions as set out in the applicable Option Award Agreement.

Restrictions and limitations

Any Option granted shall be personal to the grantee and shall not be assignable or transferable. No grantee shall in any way sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any Option or any other property held by the Trustee on trust for the grantee, Options, Shares underlying any Options or any interests or benefits therein.

Shareholder Rights

No grantee shall enjoy any of the rights of a Shareholder (including but not limited to voting rights) by virtue of the grant of an Option pursuant to the 2020 Share Option Plan and the voting rights held by Forth Wisdom Limited are exercised by Ms. Peng, unless and until such Shares underlying the Option are actually transferred to the grantee upon the vesting of the Option.

(b) Reorganization of Capital Structure

In the event of any alteration in the capital structure of the Company, such as capitalization issue, rights issue, consolidation, sub-division and reduction of the share capital of the Company, the Committee may make equitable adjustments that it considers appropriate, at its sole discretion, including:

(a) make arrangements for the grant of substitute Options of equivalent fair value to an Option in the purchasing or surviving company;

(b) reach such compromise with the grantee as it considers appropriate, including the payment of cash compensation to the grantee equivalent to the fair value to any Option to the extent not vested;

(c) waive any conditions to vesting of any Option to the extent not already vested; or

(d) permit the continuation of an Option in accordance with its original terms,

provided that any adjustment after the Listing shall be made on the basis that the proportion of the issued share capital of the Company to which a participant is entitled after such adjustment shall remain the same as that to which he was entitled to subscribe had he exercised all the Options held by him immediately before such adjustment. In respect of any such adjustment, an independent financial adviser or the auditors of the Company shall confirm in writing to the Board that such adjustment is fair and reasonable.

(c) Outstanding Options

As of the Latest Practicable Date, our Company had granted options under the 2020 Share Option Plan to 118 grantees to subscribe for an aggregate of 34,950,818 Shares. The options corresponding to 5,035,756 Shares held by our Chief Technology Officer, Mr. He Gang (何剛), have been exercised. In addition, options to subscribe for 1,146,100 Shares had lapsed following the resignation of certain employees. As of the Latest Practicable Date, options granted to 111 grantees to subscribe for 28,768,962 Shares were outstanding, representing approximately 1.68% of our Company's issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised) for which the grantees include 3 Directors (with respect to 1,967,862 underlying Shares), 3 other senior management members (with respect to 3,107,900 underlying Shares), 2 Connected Persons (with respect to 14,500 underlying Shares), 17 employees of our Group who have been granted options to subscribe for 500,000 Shares or more (with respect to an aggregate of 14,206,600 underlying Shares) and 86 other employees of our Group who have been granted options to subscribe for less than 500,000 Shares (with respect to an aggregate of 9,472,100 underlying Shares). No consideration was payable for the grant of such Options.

We have applied for, and have been granted (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of an paragraph 27 of Appendix 1A to the Listing Rules and (ii) an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the information of the Options granted under the 2020 Share Option Plan. For further details, please refer to the section headed "Waivers from Strict Compliance with the Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance – Waiver and Exemption in relation to the 2020 Share Option Plan" in this Prospectus.

Below is a list of Directors, senior management and other employees of our Group who are grantees of the options under the 2020 Share Option Plan, and the number of underlying Shares of their respective Options (exercised or outstanding).

Name of grantee	Address	Exercise price	Number of outstanding Shares underlying Options granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Directors						
Mr. Zhao Lin (趙林)	7/F., Building 12 Bihai Yuntian No. 68, Baishi Road Futian District Shenzhen PRC	HKD0.81	220,781	October 1, 2020	On July 31, 2021	0.01%
Ms. Peng Xin (彭心)	7/F., Building 12 Bihai Yuntian No. 68, Baishi Road Futian District Shenzhen PRC	HKD0.81	220,781	October 1, 2020	On July 31, 2021	0.01%
Mr. Deng Bin (鄧彬)	Room 8C, East Block, Building 2 Bihai Mangrove Garden Fu Rong Road Futian District Shenzhen PRC	HKD0.81	1,526,300	July 31, 2020	From July 31, 2021 to July 31, 2026	0.09%

Name of grantee	Address	Exercise price	Number of outstanding Shares underlying Options granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Senior Management						
Mr. He Gang (何剛)	No. 2127, Le Leman Lake Villa Shunyi District Beijing China	US$0.3046	5,035,756[(1)]	June 1, 2020	From June 1, 2020 to December 25, 2020	0.29%
Ms. Chen Shengyu (陳聖鈺)	Room 702, No. 1 Mingyue 1st Lane Yuexiu District Guangzhou China	HKD0.81	1,408,900	July 31, 2020	From July 31, 2021 to July 31, 2026	0.08%
Mr. Shen Hao (申昊)	8-401, Lianhua 2nd Village No. 5002 Hongli West Road Futian District Shenzhen Guangdong Province China	HKD0.81	759,700	July 31, 2020	From July 31, 2021 to July 31, 2026	0.04%
Mr. Liang Feiyan (梁飛燕)	A-2, 3rd Floor Times Fortune Building No. 88, Fuhua 3rd Road Futian District Shenzhen China	HKD0.81	939,300	July 31, 2020	From July 31, 2021 to July 31, 2026	0.05%

Name of grantee	Address	Exercise price	Number of outstanding Shares underlying Options granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Connected Persons						
Mr. Zhao Yinglong (趙英龍)	No. 1 affiliated to No. 265, Xinfuli Regiment No. 127 Suxingtan, Kuitun Xinjiang China	HKD0.81	8,500	October 1, 2020	From July 1, 2022 to July 1, 2025	0.00050%
Mr. Peng Zhenyu (彭振宇)	7/F., Building 12 Bihai Yuntian, No. 68, Baishi Road Futian District Shenzhen Guangdong Province China	HKD0.81	6,000	October 1, 2020	From July 1, 2022 to July 1, 2025	0.00035%
17 employees of our Group who have been granted options to subscribe for 500,000 Shares or more						
Peng Dacheng (彭大誠)	No. 32, Third Cuihuju Street, West Court, Country Garden, Beijiao County, Shunde District, Foshan, Guangdong	HKD0.81	1,174,100	July 31, 2020	From July 31, 2021 to July 31, 2026	0.07%
Liu Wen (劉文)	Room 602, No. 52, Lane 700, Hongsong Road, Minhang District, Shanghai	HKD0.81	1,408,900	July 31, 2020	From July 31, 2021 to July 31, 2026	0.08%
Ji Xiang (吉祥)	Room 3005, Unit 1, Building 1, Heheweidu, No. 6 South Section I, Yihuan Road, Chengdu	HKD0.81	1,408,900	July 31, 2020	From July 31, 2021 to July 31, 2026	0.08%

Name of grantee	Address	Exercise price	Number of outstanding Shares underlying Options granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Liu Yanli (劉彥利)	Room 1403, Dutyfree Business Building, No. 6 First Fuhua Road, Futian District, Shenzhen, Guangdong	HKD0.81	607,800	July 31, 2020	From July 31, 2021 to July 31, 2026	0.04%
Liu Xu (劉旭)	Room 702, No. 1, Lane 1, First Mingyue Road, Yuexiu District, Guangzhou, Guangdong	HKD0.81	607,800	July 31, 2020	From July 31, 2022 to July 31, 2027	0.04%
Geng Jie (耿傑)	12/F, Shenzhen Development Bank Building, 5047 Shennan Road East, Luohu District, Shenzhen, Guangdong	HKD0.81	911,700	July 31, 2020	From July 31, 2021 to July 31, 2026	0.05%
Huang Jinhua (黃錦華)	2B-1903, All Love In Town, Xixiang Avenue, Bao'an District, Shenzhen, Guangdong	HKD0.81	987,600	July 31, 2020	From July 31, 2021 to July 31, 2026	0.06%
Liu Huazhi (劉華志)	Room 2206, Building 2, Zhongshan Garden Building, Fenghuang Road, Luohu District, Shenzhen, Guangdong	HKD0.81	987,600	July 31, 2020	From July 31, 2021 to July 31, 2026	0.06%

Name of grantee	Address	Exercise price	Number of outstanding Shares underlying Options granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Liu Yu (劉宇)	Room 22C, Building 19, Weilan Hai'an, Nanshan District, Shenzhen, Guangdong	HKD0.81	759,700	July 31, 2020	From July 31, 2021 to July 31, 2026	0.04%
Zhang Shengbin (張勝斌)	10 Minshun Lane, Qianchuan Street, Huangpi District, Wuhan	HKD0.81	987,600	July 31, 2020	From July 31, 2021 to July 31, 2026	0.06%
Zhang Dazhuang (張大莊)	No. 10 Fourth Gaoxin Avenue South, Nanshan District, Shenzhen, Guangdong	HKD0.81	911,700	July 31, 2020	From July 31, 2021 to July 31, 2026	0.05%
Sun Xia (孫峽)	Room 602, Unit 1, Building 20, 99 Changfeng Avenue, Qiaokou District, Wuhan, Hubei	HKD0.81	759,700	July 31, 2020	From July 31, 2021 to July 31, 2026	0.04%
Zhang Yubing (張鈺冰)	Room 703, Building 1, Yidongyuan, Dongqu, Zhongshan, Guangdong	HKD0.81	538,700	July 31, 2020	From July 31, 2021 to July 31, 2026	0.03%
Wang Yang (王洋)	Room 902, Unit 1, Building 4, Phase II, Dongfangqinyuan, Ping'an Road, Longgang District, Shenzhen, Guangdong	HKD0.81	538,700	July 31, 2020	From July 31, 2021 to July 31, 2026	0.03%
Zou Weiwei (鄒微微)	7 Bajiaomiao Street, Zhige Town, Hongya County, Sichuan	HKD0.81	538,700	July 31, 2020	From July 31, 2021 to July 31, 2026	0.03%

Name of grantee	Address	Exercise price	Number of outstanding Shares underlying Options granted	Date of grant	Vesting period	Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Zhang Zhijian (張志建)	Wanchang Apartment Xiheng Street, Shangmeilin Futian District, Shenzhen, Guangdong	HKD0.81	538,700	July 31, 2020	From July 31, 2021 to July 31, 2026	0.03%
Fu Yu (傅煜)	Huaxin Village, Zhenzhou Road West, Yizheng, Jiangsu	HKD0.81	538,700	July 31, 2020	From July 31, 2021 to July 31, 2026	0.03%
86 other employees of our Group who have been granted options to subscribe for less than 500,000 Shares		HKD0.81	(i) 8,855,100	(i) July 31, 2020	(i) From July 31, 2021 to July 31, 2026[(2)]	0.52%
		HKD0.81	(ii) 617,000	(ii) October 1, 2020	(ii) From July 1, 2022 to July 1, 2025	0.04%
Total (exercised or outstanding)			33,804,718			1.97%

Notes:

(1) The options corresponding to 5,035,756 Shares held by our Chief Technology Officer, Mr. He Gang (何剛), have been exercised. For details of such exercise, please see the subsection headed "Major Corporate Development, Shareholding Changes and Reorganization of Our Group – Our Company – V. Issuance, surrender and transfer of Ordinary Shares".

(2) The vesting period of the options corresponding to 1,270,800 Shares held by three employees, whose employment with the Company commenced in or after 2020, is from July 31, 2022 to July 31, 2027.

2. 2020 Share Incentive Plan

(a) Summary of terms

Purpose

The purpose of the 2020 Share Incentive Plan is to enable our Group to reward the grantees for their services and contribution to the success of our Group, and to provide incentives to them to further contribute to the Group.

Types of awards

The 2020 Share Incentive Plan provides for awards of RSUs, restricted shares, or other awards involving Shares or are valued in whole or in part by reference to, or are otherwise based upon or settled in, Shares, including unrestricted Shares, performance units, share appreciation rights, dividend equivalents and convertible debentures.

Eligibility

The Board may, at its discretion, invite any person belonging to any of the following classes of eligible participants to take up an award to subscribe for Shares:

(a) any full-time executives, officers, managers or employees of our Group, or any entities designated by them, who had attained the requisite seniority and performance grade and/or targets as may be determined by the Board from time to time on the Offer Date;

(b) any directors and supervisors (including non-executive directors and independent non-executive directors) of our Group, or any entities designated by them;

(c) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, strategic partners, service providers or other third parties who the Board considers, in its sole discretion, has contributed or will contribute to our Group.

Duration of the plan

Unless terminated early by the Board, the 2020 Share Option Plan shall be valid and effective commencing on May 15, 2020 until its tenth anniversary, after which period no further restricted shares/RSUs may be granted but the provisions of the 2020 Share Incentive Plan shall remain in force to the extent necessary to give effect to the vesting and release/settlement of the restricted shares/RSUs granted prior thereto.

Grant of awards

The Board shall be entitled to make an offer of an award ("**Offer**") to such eligible participants as it may in its discretion select.

Consideration for RSU and restricted share purchase price

The price to be paid for the grant of any RSU, and the purchase price of any restricted share shall be such amount in such form as may be determined by the Board from time to time as set out in the Offer.

Conditions of issuance of shares

The grantee must not have committed any breach of the 2020 Share Incentive Plan and any ancillary documents that the grantee has entered into with the Company in respect of the Award.

The grantee must not have violated any provision of the articles of association or constitutional documents of the relevant member of our Group, or otherwise impaired the interests of our Group.

The Board may, at its absolute discretion, impose any other performance targets that must be achieved and any other conditions that must be fulfilled before any RSUs and/or restricted shares can be vested or settled.

If the conditions set out above in this clause are not satisfied, the RSUs and/or restricted shares shall automatically lapse on the date on which such conditions are not satisfied, as determined by the Board in its absolute discretion.

Vesting schedule

Subject to the terms of the 2020 Share Incentive Plan, the RSUs shall be vested and settled, and the restricted shares shall be vested and no longer subject to forfeiture, as set out in the Offer.

If a change of control shall occur, such RSUs shall be vested and settled, and restricted shares shall be vested and no longer subject to forfeiture (as applicable).

Vesting of awards

Settlement of RSUs

Subject to the terms of the 2020 Share Incentive Plan, RSU will be settled upon vesting, subject to the terms of the applicable award, either by delivery to the grantee of the number of Shares that equals the number of RSUs that then become vested or by the payment to the holder in cash that equals the fair market value of that number of Shares (less any costs, expenses, fees or taxes payable in connection with the RSUs). If RSUs are settled in Shares, one or more of the Directors of the Company will, on behalf of the Company, cause and direct the share registrar of the Company to update the Company's register of members with the name of the grantee entered therein as the record holder of the Shares.

Release of Restricted Shares

Subject to the terms of the 2020 Share Incentive Plan, Restricted Shares shall, subject to the terms of the applicable award, be released from escrow as soon as practicable after the applicable vesting date. After the Restricted Shares are released, the Shares shall be freely transferable by the grantee, subject to applicable restrictions in the award and any legal restrictions.

Non-transferability of the awards

Save and except for the provisions in the paragraph below and except under the applicable laws or as otherwise provided by the 2020 Share Incentive Plan, the awards shall be personal to the grantee and the grantee shall not sell, transfer, pledge or assign the awards and the 2020 Share Incentive Plan or any interest or benefits herein.

The grantee shall be permitted to transfer the awards to his wholly owned entity or any trust arrangement whereby the grantee is the sole beneficiary. The terms of the 2020 Share Incentive Plan shall be binding upon the personal representatives, executors, administrators, heirs, successors and assignees of the grantee. Unless transferred pursuant to the foregoing, the awards shall be exercisable, during the grantee's lifetime, only by the grantee.

Without limiting the generality of the foregoing, except as otherwise provided by the 2020 Share Incentive Plan, the awards may not be assigned, transferred, pledged or hypothecated in any way, shall not be assignable by operation of law, and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the awards contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the awards shall be null and void and without effect and such breach by the grantee shall entitle our Company to cancel any outstanding Awards granted to such grantee.

Lock-up Period

In connection with any underwritten public offering by our Company of its equity securities, the grantee shall not, for a period of at least 180 days (or such longer period as may be provided in the offer for the grant of an award) following the date of completion of the applicable offering, directly or indirectly, sell, make any short sale of, loan, hypothecate, pledge, offer, grant or sell any option or other contract for the purchase of, purchase any option or other contract for the sale of, or otherwise dispose of or transfer, or agree to engage in any of the foregoing transactions with respect to, any Shares acquired under the 2020 Share Incentive Plan without the prior written consent of our Company or its underwriters.

Termination of Employment

In the event of a grantee, having been an employee or director of our Group at the time of the grant of the award, subsequently ceases to be an employee or director thereof, any outstanding RSUs and/or restricted shares (including any vested portion thereof) held by such grantee shall terminate in accordance with provision set out in the relevant Offer.

Termination

Our Company may by resolution in general meeting or the Board may at any time terminate the operation of the 2020 Share Incentive Plan and in such event no further award shall be offered but the provisions of the 2020 Share Incentive Plan shall remain in force to the extent necessary to give effect to any outstanding awards granted prior thereto or otherwise as may be required in accordance with the provisions of the 2020 Share Incentive Plan. Outstanding awards granted prior to such termination but not yet exercised, settled or released at the time of termination shall continue to be valid and exercisable or releasable in accordance with the 2020 Share Incentive Plan.

(b) Reorganization of Capital Structure

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split or similar change affecting the Shares including any alteration in the capital structure of our Company, such as capitalisation issue, rights issue, consolidation, sub-division and reduction of the share capital of our Company, the Board may make equitable adjustments that it considers appropriate, at its sole discretion, including:

i. make arrangements for the grant of substitute award of equivalent fair value to an award in the purchasing or surviving company;

ii. reach such agreement or compromise with the grantee as it considers appropriate, including the payment of cash compensation to the grantee for the equivalent fair value of the award to the extent not vested;

iii. waive any conditions to the vesting of any award to the extent not already vested; or

iv. permit the continuation of an award in accordance with its original terms.

(c) Outstanding RSUs

As at the Latest Practicable Date, RSUs granted to 33 grantees to subscribe for 7,701,100 Shares were outstanding, representing approximately 0.45% of our Company's issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised) for which the grantees include one senior management member (with respect to 1,105,000 underlying Shares) and 32 other employees of our Group (with respect to an aggregate of 6,596,100 underlying Shares).

Save as disclosed herein, no awards have been granted to any Directors, senior management and other employees of our Group or their affiliates or other eligible persons pursuant to the 2020 Share Incentive Plan.

Below is a list of grantees of the outstanding RSUs under the 2020 Share Incentive Plan as of the Latest Practicable Date:

Name of grantee	Number of outstanding Shares underlying RSUs granted	Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised)
Senior Management		
Mr. Chen E (陳鄂)	1,105,000	0.06%
Other 32 Employees	6,596,100	0.38%
Total	7,701,100	0.45%

3. Amendment

The Board reserves the right to amend the Equity Incentive Plans in any respect the Board deems necessary or advisable, subject to the limitations, if any, of applicable law; provided, however, that except as otherwise expressly provided in the Equity Incentive Plans or an option agreement, no amendment of the Equity Incentive Plans will impair a participant's rights under an outstanding Share Option or Shares unless (i) our Company requests the consent of the affected participant, and (ii) such participant consents in writing. Notwithstanding the above, after the Listing, the Board may not amend the provisions of the Equity Incentive Plans relating to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the participants or prospective participants except with the prior approval of Shareholders of the Company in general meeting.

E. OTHER INFORMATION

1. Litigation

As of the Latest Practicable Date, we are not aware of any litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

2. Application for Listing

The Joint Sponsors have made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued or sold as mentioned in this Prospectus. All necessary arrangements have been made to enable such Shares into CCASS.

3. No Material Adverse Change

The Directors confirm that there has been no material change in the financial or trading position or prospects of our Group since December 31, 2020 (being the dated to which the latest audited combined financial statements of our Group were prepared).

4. Agency Fees and Commissions Received

The Underwriters will receive an underwriting commission as referred to in the section headed "Underwriting – Underwriting Arrangements and Expenses – Commission and Expenses and Joint Sponsors' Fee".

5. The Joint Sponsors and Joint Sponsors' fees

The Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fees payable by our Company to each of the Joint Sponsors to act as sponsor to our Company in connection with the Global Offering are US$400,000 or in aggregate US$1,200,000.

6. Preliminary expenses

We have not incurred any material preliminary expenses.

7. Promoter

The Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this Prospectus, 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 Global Offering and the related transactions described in this Prospectus.

8. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of shares registered with our Hong Kong register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, of the value of the shares being sold or transferred. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of shares in our Company as long as we do not hold any interest in land in the Cayman Islands and that the instrument constituting the transfers of shares is not executed in or brought to the Cayman Islands, or produced before a court of the Cayman Islands.

(c) People's Republic of China

We may be treated as a PRC resident enterprise for PRC enterprise income tax purposes. In that case, distributions to our Shareholders may be subject to PRC withholding tax and gains from dispositions of our Shares may be subject to PRC tax. See "Risk Factors – Risks Relating To Conducting Business In China – If we are classified as a PRC resident enterprise for PRC enterprise income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders of this Prospectus.

(d) Consultation with professional advisors

Potential investors in the Global Offering are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our Shares (or exercising rights attached to them). None of our Company, our Directors or the other parties involved in the Global Offering accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

9. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Prospectus:

Name	Qualification
J.P. Morgan Securities (Far East) Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
CMB International Capital Limited	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Huatai Financial Holdings (Hong Kong) Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined under the SFO
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
Global Law Office	Company's PRC legal advisers
Walkers (Hong Kong)	Company's Cayman Islands legal adviser
China Insights Industry Consultancy Limited	Independent industry consultants
Protiviti Shanghai Co., Ltd.	Internal control consultant
Guangzhou Dongya Co., Ltd. (廣州市東亞有限公司)	Company's fire safety consultant

10. Consent of Experts

Each of the experts mentioned in the sub-section headed "– Qualification of Experts" above has given and has not withdrawn its respective written consent to the issue of this Prospectus with the inclusion of its report and/or letter and/or opinion and/or the references to its name included in this Prospectus in the form and context in which it is respectively included.

11. Binding Effect

This Prospectus shall have the effect, if an application is made in pursuance of this Prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

12. Bilingual Prospectus

The English and Chinese language versions of this Prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

F. MISCELLANEOUS

(a) Save as disclosed in this section, within the two years immediately preceding the date of this Prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(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;

(iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(b) Save as disclosed in the "History, Reorganization and Corporate Structure" section, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.

(c) Our Directors confirm that:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2020 (being the date to which the latest audited combined financial statements of our Group were prepared);

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Prospectus.

(d) The principal register of members of our Company will be maintained in the Cayman Islands by our Principal Share Registrar. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) the written consents referred to in the subsection headed "Statutory and General Information – E. Other Information – 10. Consent of Experts" in Appendix IV to this Prospectus; and

(c) a copy of each of the material contracts referred to in the subsection headed "Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix IV to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this Prospectus:

(a) the Memorandum of Association and the Articles of the Company;

(b) the Accountants' Report and the report on the unaudited pro forma financial information of our Group prepared by KPMG, the texts of which are set out in Appendix I and Appendix II to this Prospectus, respectively;

(c) the audited combined financial statements of our Company for the three financial years ended December 31, 2018, 2019 and 2020;

(d) the PRC legal opinions issued by Global Law Office, our PRC Legal Advisor, in respect of certain general corporate matters and the property interests of our Group in the PRC;

(e) the letter of advice prepared by Walkers (Hong Kong), our legal adviser as to the laws of the Cayman Islands, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this Prospectus;

(f) the industry report prepared by China Insights Industry Consultancy Limited;

(g) the report issued by Guangzhou Dongya Co., Ltd. (廣州市東亞有限公司), the Fire Safety Consultant, in respect of its findings on the fire safety inspection on certain teahouses which had not obtained relevant fire safety approvals;

(h) the report issued by Protiviti Shanghai Co., Ltd. in respect of its review findings on the internal control measures of the Company relating to its fire safety;

(i) the material contracts referred to in the subsection headed "Statutory and General Information – B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix IV to this Prospectus;

(j) the written consents referred to in the subsection headed "Statutory and General Information – E. Other Information –10. Consent of Experts" in Appendix IV to this Prospectus;

(k) the service contracts or the letters of appointment with our Directors referred to in the subsection headed "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 2. Particulars of Service Contracts" in Appendix IV to this Prospectus;

(l) the terms of the 2020 Share Option Plan and a list of grantees under 2020 Share Option Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(m) the terms of the 2020 Share Incentive Plan; and

(n) the Cayman Companies Act.

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